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CONTEMPORARY SOUTHEAST ASIA

A QUARTERLY JOURNAL OF INTERNATIONAL AND STRATEGIC AFFAIRS

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The Territorial Disputes between China and Vietnam
and Regional Stability
RAMSES AMER

Book Reviews

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Institute of Southeast Asian Studies
Heng Mui Keng Terrace, Pasir Panjang
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Force Modernization: The Case of the Vietnam People's Army

CARLYLE A. THAYER

The process of force modernization in Vietnam has followed a different path from that of its ASEAN neighbours. Vietnam relied on external assistance during its anti-colonial struggle and in the decades following independence to modernize its military forces along conventional lines. Elsewhere in Southeast Asia the focus was on counter-insurgency. In 1990, when most ASEAN states were embarking on major programmes of force modernization, Vietnam's military stagnated because of the abrupt loss of Soviet aid. It was only in the last half decade that Vietnam has been active in reviving external defence contacts. Vietnam is presently embarked on a modest modernization programme which places priority on refurbishment and upgrading of existing weapons systems and modest naval and air acquisitions, such as Tarantul-class corvettes and Su-27 Flanker fighter aircraft.

Background

The Vietnam People's Army (VPA) was founded fifty-three years ago on 22 December 1944. It comprised thirty-four persons who were armed with rudimentary weapons. Over the next four decades, this small band of guerrillas grew in size, force structure and technological sophistication into the world's fifth largest military force.[1] In 1987, when the VPA reached its peak strength, it totalled 1.26 million regulars. Only the military forces of the Soviet Union, China, the United States and India were larger.[2]

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The development of the VPA differs markedly from its regional counterparts. During the course of Vietnam's struggle for independence, the VPA evolved into a powerful regular infantry force supported by heavy artillery. This was made possible largely as a result of assistance received from China. In the late 1950s, after Vietnam was partitioned, the VPA was reorganized and modernized along conventional lines. Military assistance from China and the Soviet Union assisted this process. Specialized corps made their appearance, including naval and air forces.

The resumption of armed conflict, which began in the late 1950s and lasted until reunification in 1975, led to a process of continual force modernization, funded by external donors. In 1968, the Soviet Union overtook China as Vietnam's main supplier of military weaponry. It provided Vietnam with a modern anti-aircraft defence system (including surface-to-surface missiles), MiG-15/17 jet aircraft, light bombers and fast-attack naval craft.[3] The most recent phase of force modernization took place in the 1980s during the Cambodia conflict.

According to an Australian intelligence study,[4] the Soviet Union provided the following vessels to Vietnam between late 1978 and early 1985: two Petya-II (Export)-class FFL light frigates, seven Zhuk-class coastal patrol craft, eight OSA-II-class PTG missile attack boats armed with SS-N-2b STYX and SA-N-5 GRAIL surface-to-surface missiles, fourteen Shershen-class PT/PCFs (also armed with SA-N-5 GRAIL SSMs), four S.O.-1-class PCS sub-chasers, five K-8-class MSB and two Yurka-class MSF minesweepers, three Polnocny-B-class LSMs, three PO-2 class PBs, two Poluchat I-class PBs, four Turya-class PTH/PBH hydrofoils, one Shelon-class YPT torpedo retriever, one Kamenka-class AGS survey ship, and two Shmel-class PM river monitors. Over the next half decade, Vietnam acquired three Petya-II frigates, three Turya-class hydrofoils, two Shershen PCFs, two S.O.-1s, one Sonya MSC, and two Yevgenya-class MH minesweepers. No further naval acquisitions were made until 1994 when Vietnam purchased two Tarantul-class type corvettes from Russia with an option to buy several more (see discussion below). The modernization of Vietnam's air force was equally impressive. Vietnam's air force personnel strength reached a peak of 12,000 in 1985. Its order of battle included a total of 250 combat aircraft, of which the mainstay was the MiG-21, and at least three dozen armed helicopters. Vietnam's air defence was organized into fourteen divisions, totalling 100,000 personnel, equipped with missiles, AA artillery and radar. Currently, Vietnam has an estimated 100 radar and 66 SAM sites. Soviet-Vietnamese military relations were profoundly affected by the consequences of then Soviet president Mikhail

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Gorbachev's domestic restructuring programme and "new political thinking" in foreign policy. Moscow's new priorities meant a cut-back not only in warship deployments to the Indian Ocean but also in foreign military assistance. These depreciated the value of naval facilities at Cam Ranh Bay as a transit point. As early as November 1989, the Soviet Union informed Vietnam that it would execute a unilateral withdrawal from their base at Cam Ranh.[5] Ship deployments were drastically scaled down and then the Soviets quietly withdrew most of their military assets, including submarines and surface combatants. Soviet advisers and technicians returned home. The Soviet military assistance programme for 1991 was slashed by one-third. Vietnam was now required to pay for any military equipment purchases with hard currency. When Vietnam's then existing military agreement with the Soviet Union expired at the end of 1990 it was not renewed. The only military aid and credits made available to Vietnam subsequently were those left unspent. Vietnam lacked the hard currency to make up this deficit. As a consequence, the availability of Soviet equipment soon dried up, as arms import figures for 1991–93 indicate (see Table 1).

TABLE 1
Vietnam's Arms Imports and Exports, 1984–94
(In US$ million)

Year	*Arms Imports AI*		*Arms Exports AE*		*Total Imports TI*		*Total Exports TE*		*AI/TI*	*AE/TE*
	C	*C 1994*	*C*	*C 1994*	*C*	*C 1994*	*C*	*C 1994*	*%*	*%*
1984	1600	2214	0	0	1560	2159	665	920	102.6	0
1985	1500	2003	20	27	1590	2123	746	996	94.3	2.7
1986	2100	2731	0	0	2155	2802	785	1021	97.4	0
1987	1900	2395	110	139	2191	2761	880	1109	86.7	12.5
1988	1500	1820	80	97	2616	3175	1073	1302	57.3	7.5
1989	1300	1510	0	0	3056	3549	1502	1744	42.5	0
1990	1100	1224	0	0	2752	3063	2404	2675	40.0	0
1991	200	214	0	0	2338	2506	2087	2237	8.6	0
1992	10	10	10	10	2541	2650	2581	2691	.4	.4
1993	10	10	0	0	3415	3485	2971	3032	.3	0
1994	90	80	0	0	e3420	e4200	e3600	e3600	1.9	0

Legend: C = Current, C 1994 = Constant 1994; AI = Arms Imports; AE = Arms Exports; TI = Total Imports; TE = Total Exports, e = estimate.

SOURCE: U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1995* (Washington, D.C.: U.S. Government Printing Office, April 1996), p. 150.

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All of Vietnam's three services were affected by the abrupt termination of Soviet military aid and the withdrawal of technical specialists. Vietnam was left with complex maintenance problems and deteriorating equipment caused by ordinary wear and tear. Vietnam's ability to provide proper maintenance for modern weapons systems was sorely tested.[6] As Vietnam lacked the funds to purchase spare parts and other major items it had to resort to cannibalization and storage. In sum, Vietnam was not able to match or keep pace with the military modernization efforts of its regional neighbours which had just gotten under way.[7]

This article reviews the current phase of force modernization in Vietnam with a focus on developments during the last five years. In this period, the downward trend in Vietnam's military preparedness bottomed out. After the Cambodian peace settlement was reached in October 1991, Vietnam's pariah status ended. It moved rapidly to develop defence contacts with a variety of states with an eye to acquiring assistance in equipment maintenance, refurbishment and production. In 1992, reacting to Chinese assertiveness in the South China Sea, Vietnam's military budget was increased for the first time in five years. This enabled Vietnam's military to re-enter the arms market.

National Defence Expenditure

The Vietnamese economy entered a period of crisis in the early 1980s brought on by the failure of the socialist central planning system. This was exacerbated by an international trade and aid embargo imposed after Vietnam's invasion of Cambodia. Vietnam adopted a bold reform programme in late 1986, now known universally as *doi moi*, or renovation. Less well known is that in 1987 Vietnam embarked on a major strategic readjustment of its armed forces.[8] This resulted in the withdrawal of all Vietnamese military units from Cambodia and a sharp decline in troops posted to Laos. The size of Vietnam's main forces were slashed in half by 1993.

The rapid demobilization of Vietnam's armed forces brought with it additional overhead costs of pensioning off and providing housing and other amenities to demobilized soldiers. These costs, coupled with the loss of Soviet military assistance, resulted in major cuts to the defence budget. Because funds were lacking, the central government even defaulted on the funding promises it had made. By 1989 Vietnam's military establishment was in a parlous state. According to the then Minister of National Defence, in an address to the National Assembly late that year:

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> Recently, conditions did not exist for us to make the temporary budgetary increases needed for the realisation of troop reduction. Worse still, owing to shortfalls in tax collection and anti-inflationary measures, in 1989 the Finance Ministry could barely ensure for the army a budget equal to 67% of the amount prescribed by the Political Bureau's resolution. This occurred at a time when the army had to buy everything at market prices and when the prices of key items, such as petrol, were three times as high in the second half of the year as they were in the first half ....
>
> The result was, with more than 70% of the defence budget spent for the support of the soldiers' livelihood, the troops' already difficult living conditions became even more difficult. The minimum food rations of combatants, which were meagre compared even to those of the armies of poor countries of the world, were still not guaranteed. Soldiers' allowances destined for the purchase of necessities of life were also cut by 30–40% ....
>
> At present, more than 70% of the defence budget is earmarked for expenditure in support of the livelihood of troops; and less than 30% is reserved for all other activities such as procuring technical equipment, drilling troops, training cadres, carrying on external relations, building national defence projects and carrying out national construction. It can be said that this is an inverse ratio and will inevitably lead to the downgrading of technical equipment and fighting means, and will as a matter of course directly affect the fighting strength of our army ....
>
> Even with the 1989 defence budget, our troops have met many difficulties in their life and other activities. If this budget is cut back in 1990, difficulties will increase further. The current situation allows us to reduce the numerical strength of the standing army and the defence budget. Nevertheless, such a reduction should not be made abruptly, but step by step and in a gradual manner.[9]

While accurate figures on Vietnam's defence expenditures are notoriously difficult to determine[10] (see Table 2), it would appear that the defence budget was not increased appreciably in 1990. Early in 1991, for example, Lt. General Nguyen Trong Xuyen, noted that defence spending was "limited".[11] This led military commentators to argue that if the situation was not reversed Vietnam would find it difficult to defend itself.

At year's end, the army newspaper reported "from the figures contained in the report on the defence budget presented to the National Assembly, we can see that the projected expenditures cannot meet even the bare minimum requirements of the Army".[12] The paper went on:

> We would like to suggest that the National Assembly considers adoption of a defence budget capable of realizing the following goals:

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TABLE 2
Military Expenditure, 1986–94
(In US$ million)

Year	Military Expenditure		GNP		CGE	ME/GNP	ME/CGE
	C	C 1994	C	C 1994	C 1994	%	%
1986	2406	3129	12400	16120	3064	19.4	102.1
1987	na	na	12600	15880	2636	na	na
1988	na	na	13200	16020	2948	na	na
1989	na	na	14200	16490	3084	na	na
1990	723	804	13900	15470	3032	5.2	26.5
1991	720	772	15000	16080	1929	4.8	40.0
1992	na	na	16730	17450	2086	na	na
1993	na	na	18490	18870	na	na	na
1994	435	435	20180	20180	4500	2.2	9.7

Legend: C = Current, C 1993 = Constant 1993;
CGE = Central Government Expenditure; ME = Military Expenditure.

SOURCE: U.S. Arms Control and Disarmament Agency, *World Military Expenditures and Arms Transfers 1995* (Washington, D.C.: U.S. Government Printing Office, April 1996), p. 100.

> Ensure that the army receives its rations in full and of the prescribed quality, stabilize the living conditions of soldiers, and, at the same time, satisfy the army's pressing need for techniques and equipment and meet the requirements of the military welfare policy ....

In June 1991, at the seventh national congress of the Vietnam Communist Party, the military increased its representation on the Central Committee for the first time since 1960. This increase in influence immediately translated into a larger defence budget. Resolutions endorsing a rise in defence spending were adopted by the National Assembly (11th session, 8th legislature) and the VCP Central Committee (third plenum, 18–29 June 1992). The chairman of the Council of Ministers favourably considered a report by the Ministry of National Defence for new purchases of equipment and technology, and raised the 1992 defence budget.[13]

In 1992, Vietnam resumed selling arms for the first time since 1988 (see Table 1). According to the U.S. Arms Control and Disarmament Agency, Vietnam's export sales amounted to US$10 million. While no details are available, it is known that in the past Vietnam has sold rifles to the FMLN in El Salvador and M-113 APCs to Iran.[14]

In mid-1993, Deputy Prime Minister Phan Van Khai announced that state revenues during the first six months had increased "by a relatively large margin compared with the same period last year" and

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part of the increase in the central budget "will be put aside to satisfy the newly-emerging needs of national defence and security".[15] These were identified as strengthening Vietnam's defences in the South China Sea.[16]

In December 1993, for the first time, Vietnam publicly released figures on its national budget, including defence expenditures. Defence spending for that year was officially put at 3.2 trillion dong, or "about 8.4% of the national budget". The draft budget for 1994 revealed that the Ministry of National Defence sought a 49 per cent budget increase to 4.7 trillion dong, or 16 per cent of recurrent expenditure.[17] This rise was confirmed later in the year.[18] At current rates of exchange, this amounted to around US$300 million, an improbably low figure.[19] Revised figures issued by the International Institute for Strategic Studies (IISS) placed Vietnam's 1994 defence budget at 19.4 trillion dong, or US$900 million. The IISS estimated Vietnam's 1995 and 1996 defence budgets at US$975 million and US$1 billion, respectively.[20]

National Defence Industry

Vietnam's past dependency on the Soviet Union and Eastern Europe for modern weapons and equipment, coupled with its own low level of economic development, has resulted in a rather primitive national defence industry which is only able to manufacture small arms (including machine guns and rocket launchers), ammunition (such as 82mm mortar shells), and a few spare parts but little else.[21] Vietnam's defence industry could also provide technical service to maintain and upgrade selected items of equipment. According to a 1991 report, "our country's defence industry has focused on serving the task of providing technical support for and maintaining the existing technical military equipment".[22] The Deputy Director of the Defence Industry and Technical General Department noted that most of Vietnam's defence factories had been built in the early 1960s and late 1970s and their "equipment, machinery, and production lines are, generally speaking, outdated. However ... they are still capable of repair work and producing many kinds of ordinary equipment and weapons used by our army. They can also participate in maintaining various kinds of modern, advanced weapons and equipment currently in our possession".[23]

The termination of Soviet military assistance forced Vietnam to redress the weaknesses in its national defence industry. Part of the solution lay in the gradual modernization of Vietnam's own defence industry in line with the development of the national economy. Until such time, Vietnam had to continue to produce traditional rudimentary weapons such as mines, spikes, grenades and booby traps. In 1989, the

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VPA's Technical General Department and Economics General Department were merged and renamed the Defence Industry and General Technology Department. Its budget was increased eightfold.[24] Later that year, Defence Minister General Le Duc Anh announced that "the institutes of research on military technology will be reorganized into unions in charge of research on production technology to serve both national defence and social economy".[25] Vietnam's national defence industry quickly took to production activities related to the civilian economy. As for defence needs, according to party Secretary General Nguyen Van Linh in a speech to an all-army political-military conference, the system of national defence industries would be developed "gradually" and Vietnam would "secure enough defence equipment and weapons for long-term use".[26] In the meantime, in order to curtail wastage, breakdowns and losses, stress was placed on stockpiling, storing and maintaining military equipment, and on standardization of weapons.

The subject of national defence industry funding and priorities was a controversial one as the VCP began preparations for its Seventh National Congress. One broadcast stated bluntly that the party's draft "Strategy for Socio-Economic Stabilization and Development Up to the Year 2000" "has failed to come up with a precise solution, particularly an investment solution, for the national defence industry".[27] The matter was finally settled and the new policy incorporated in the Central Military Party Commission's report on National Defence Tasks and Guidelines and the Tasks, 1991–95. This document stated:

> We have replanned a step further the network of national defence factories, strived to consolidate the existing ones, satisfactorily completed the half-finished projects, made in-depth investment in some factories ... to maintain and improve the weapons manufacturing industry ....
>
> We should consolidate and step by step develop the network of national defence industries relevant to the development of the national economy ....[28]

The National Defence Tasks and Guidelines and the Tasks, 1991–95, also set the following intermediate priorities:

> We must improve the manufacture of small arms in the direction of further modernization, produce necessary spare parts and materials required for the maintenance of weapons and equipment in tropical and seaside regions, and start building some factories to turn out products of urgent need.[29]

Vietnam could not allow the imperatives of modernization to dictate its military strategy. The solution was to combine Vietnam's own doctrine of people's war with modern weapons. According to General Doan

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Khue, "Facts have shown that, to counter a modern enemy, there must not necessarily be all the modern weapons and technical equipment".[30] Or, in the view of a military commentator, "our all-people national defence system should also constantly enhance its modernity in its own way":

> Our traditional viewpoint is that the adversary's modern weapons and means do not necessarily have to be countered with equally modern hardware. Moreover, we are in no condition to do so. However, we do not adhere to the simplistic concept that missiles could be shot down with rifles. Our army and people are experienced in modernizing weapons and technical equipment in their own way. On the one hand, we must bring into full play the effectiveness of the weapons and means capable of countering the adversary's more modern weapons and means, using them in a combined manner to neutralize and destroy the aggressor's modern weapons in diverse conditions. On the other hand, we must concentrate our resources on improving, producing, or purchasing new weapons and means fully capable of countering and destroying the adversary's most modern and dangerous means. The essence of this path is to combine "modernizing" soldiers' and citizens' standard of using weapons and technical equipment with the selective modernization of the weapons and means themselves.[31]

In the aftermath of the 1991 Gulf War, elements of Vietnam's military establishment began to press their arguments that it was time to begin modernizing. According to VPA Chief of Staff General Dao Dinh Luyen, the main proponent of this view:

> We are just now developing (our capabilities). But we also aim at producing not only munitions but also weapons to arm the three services — we have regular forces, reserve forces, local forces and guerrilla or defence units. We have also obtained modern technology in order to improve, perhaps, in defence industries. Electronics is one example (which we must develop step-by-step, gradually) ...[32]

General Luyen also advocated "if need be" purchasing weapons systems from other countries to make up for areas of technological deficiency. Of course, this would be constrained by the shortage of funds, but in General Luyen's view, "Towards the end of this century we shall have achieved the set target: that is, to have a regular and modern armed forces".

In 1993, Defence Minister Doan Khue called for Vietnam to take steps to develop a master plan for the defence industry and for the government to provide an "appropriate" budget so that it could move towards self-sufficiency in meeting defence needs.[33] At the January 1994 mid-term party conference, "modernization and industrializa-

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tion" were endorsed as Vietnam's top economic priorities. The national defence industry was to be modernized as Vietnam's economy developed and industrialized.[34] This was reaffirmed by the party Central Committee's seventh plenum in July 1994.[35] Vietnam's changed strategic circumstances now enabled it to search abroad for appropriate technology and for modest arms purchases to redress the run-down of the previous years. Vietnam also began to explore the idea of co-production of weapons for the first time.

Current Efforts at Force Modernization

The Army

In 1996, the IISS estimated the strength of Vietnam's total armed forces at 572,000 men, or the ninth largest military force in the world. Despite the massive reduction of main force regulars, Vietnam still maintains the largest ground army in Southeast Asia. The Vietnam People's Army is organized into fifty infantry, eight engineer and three mechanized divisions; ten armoured, ten field artillery and twenty independent engineer brigades; fifteen independent infantry regiments and an assortment of other units, such as ten to sixteen economic construction divisions. These forces are equipped with 1,300 main battle tanks (T-34/-54/-55, T-62, Chinese Type-59, M-48A3); 600 light tanks (PT-76, Chinese Type 62/63); 1,100 armoured personnel carriers, 300 AIFV, 100 BRDM-1/2 reconnaissance vehicles and 2,300 pieces of towed artillery. Vietnam's air defence system comprises fourteen divisions totalling 15,000 men, equipped with SA-2/-3/-6 missiles and a large variety of anti-aircraft artillery.

Vietnam's military establishment remains a "poor man's army". It is best suited to the continental defence of Vietnam and to meet low-level contingencies around its borders. Given its relatively large inventory of tanks and APCs, Vietnam has the capacity to deploy multi-divisional units and to launch surge operations into neighbouring Cambodia and Laos but not elsewhere in the region. A weak industrial base and the lack of sufficient POL (petroleum, oil and lubricants) supplies would hinder its capacity to conduct or sustain large-scale operations on a continuing basis. Vietnam does not have the manufacturing capacity to produce modern armaments, although it is attempting to acquire the technology to do so. In the past, it was totally dependent on the Soviet Union and its allies in Eastern Europe. It can no longer count on assistance from this quarter. Thus, Vietnam is not in a position to replace major equipment destroyed or lost on the battlefield. For the past several years, Vietnam has been engaged in activating

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overseas defence contacts in order to redress its defence industry deficiencies and to acquire needed modern technology on a selected basis.[36] One of the earliest indications that Vietnam was interested in obtaining technical assistance in the repair and maintenance of military equipment from outside the former Warsaw Pact came in late 1991 during the visit to Vietnam by Lt. General Teddy Rusdy, the Assistant Commander-in-Chief of the Indonesian armed forces.[37] General Rusdy and his delegation paid a working visit to the VPA's Defence Industry and Technology General Department. Later, the Indonesian Defence attaché in Hanoi revealed that Vietnam had requested technical assistance from Indonesia, particularly specialist help in the repair and maintenance of military equipment. Indonesia agreed to conduct a detailed study of the matter.[38]

Official defence contacts between Thailand and Vietnam were established as early as 1990, before a diplomatic settlement of the Cambodian conflict had been reached. In January 1992, General Suchinda Khraprayun, then Commander-in-Chief of the Royal Thai Army, visited Vietnam and offered to barter spare parts from Thailand's stock of Chinese-manufactured T-69 tanks for U.S. F-5 jet parts which Vietnam had captured in 1975 and still held in storage.[39] In 1996, Vietnam and Thailand reached agreement in principle on exchanges between their respective military academies, joint maritime patrols and joint military exercises.

In 1993, following the normalization of diplomatic relations with Israel, an Israeli defence industry delegation quietly visited Vietnam to discuss possible assistance in refurbishing and upgrading MiG-21 aircraft (see below), tanks and artillery. The following year, agreement was reached for Israeli assistance in upgrading Vietnam's military communications. In January 1994, officials from the Defence Industry and General Technology Department of Vietnam's Ministry of National Defence made a one-week visit to Israel to assess possible Israeli assistance in upgrading the VPA's communications capability.[40]

In May 1993, Vietnamese officials approached the Australian Defence Industries (ADI) to enquire about the construction of a cutter-size vessel at its Ba Son shipyard (see below). Vietnamese diplomatic and trade officials in Australia have been active in lobbying for access to military-related technology.[41] In 1995, a delegation from Vietnam's Institute of Military Technology quietly slipped into Canberra for discussions with the Defence Science and Technology Organization. In 1994, Vietnam noticeably stepped up its efforts to establish technological co-operation in defence with so-called non-traditional partners. For example, a Vietnamese defence delegation led by Lt. General Nguyen Thoi Bung attended a defence technology exhibition, Eurosatory '94, in

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Paris in mid-1994.[42] A year later, another delegation, led by Lt. General Tran Hanh, VPA Deputy Commander-in-Chief, attended the Defence Asia '95 exhibition in Bangkok.[43] They were reportedly interested in Israeli-manufactured machine guns, artillery and surface-to-air missiles.

In April 1994, during the visit to Vietnam by N.K.P. Salve, India's Minister for Power, India was reported to have offered its technology and expertise in unspecified defence equipment to Vietnam.[44] Vietnam took up the offer and on 6 September 1994, during the course of Prime Minister P.V. Narasimha Rao's visit to Vietnam, a protocol on defence co-operation was signed by Vietnam's Deputy Defence Minister and the Indian minister in charge of the Prime Minister's Office.[45]

A year later, a Vietnamese military delegation, led by Deputy Defence Minister Senior Lt. General Dao Dinh Luyen, Chief of General Staff, paid a return visit to India (May 1995).[46] The delegation was received by India's Minister of State for Defence and met with senior officers of India's Defence Ministry and the commanders of the army, navy and air force. The delegation also toured Hyderabad, Dindigul, Madras, Bangalore, Goa, Nasik and Pune. During their visit, the Vietnamese delegation studied military training and defence industries, including the operations of such companies as Ordnance Factories Board (OFB), Bharat Earth Movers Limited (BEML), Goa Shippers Limited (GSL), Hindustan Aeronautics Limited (HAL), and REL.

According to press accounts, "the defence accord between New Delhi and Hanoi codified existing training slots provided to Vietnam in India's defence academy and provided for servicing of hardware and further discussions between the two defence ministries".[47] Both India and Vietnam use Soviet-made equipment. An Indian official said that the protocol was a framework agreement and not a defence pact. "It's very low-key, and it's not aimed at any third parties", he said.[48] Tran Ngoc Dan, a Vietnamese defence official stationed in New Delhi, was quoted as stating, "India's assistance in military hardware will be a long-term co-operative agreement and we are still working on the [details]".[49]

Vietnam's Defence Minister, General Doan Khue paid a ground-breaking visit to Malaysia in late October-early November 1994 as head of an eight-member delegation.[50] General Khue held talks with his Malaysian counterpart, Datuk Seri Najib Tun Razak, particularly on co-operation between the two defence ministries and armies.[51] General Khue's itinerary included visits to the staff institute of the Malaysian Armed Forces, Syarikat Malaysia Explosives Technologies in Sungai Buloh, Airod Sdn Bhd in Subang, the Udang Special War Training Centre, and Lumut Naval Base.

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After talks between the two ministers, it was announced that the two sides would step up the exchange of defence delegations to get to know each other better, and to increase mutual confidence. Minister Najib stated, "We agree to develop some form of defence co-operation and collaboration, but we didn't go into specifics".[52] The Malaysian minister predicted that there would be a great improvement in our military ties after Vietnam became a full member of ASEAN. "I prefer them to look at our industry first," he said. Discussions on training were agreed to in principle and left for official level talks. Although no memorandum of understanding was signed, the two sides agreed to enhance defence co-operation by exchanging visits, training and co-operation in defence industries.[53]

The first public defence contacts between Vietnam and Singapore took place in March 1995 when General Doan Khue paid an official visit to the island-state. Singapore's Ministry of Defence noted that the visit by General Khue heralded the establishment of bilateral defence ties with Vietnam.[54] Khue was received by his counterpart, Dr Lee Boon Yang. While in Singapore, Khue toured the Tuas Naval Base, the headquarters of the Singapore artillery at Khatib Camp, and the headquarters of the 9th Division at Selarang Camp, Changi.[55] In July 1995, a Singapore military delegation led by Chief of the Army Brig. General Han Eng Juan visited Hanoi at the invitation of Senior Lt. General Dao Dinh Luyen, Deputy Defence Minister and Chief of the General Staff.[56] A return visit was made in November by Lt. General Truong Khanh Chau, chief of the VPA's General Department of Technology. General Chau's programme included visits to local defence industries. Defence relations between Vietnam and Singapore were taken a step further in November 1996 with the visit of Defence Minister Dr Tony Tan Keng Yam to Vietnam. The two sides agreed that Vietnam should send a delegation to Singapore to study its experiences in refurbishing and upgrading weapons systems.[57] In keeping with Singaporean policy there has been no official word about other forms of defence industry co-operation or arms sales to Vietnam.

In addition to opening defence contacts with non-traditional partners, Vietnam has also moved to restore defence ties with "old friends", such as Russia, Ukraine, Kazakhistan, the Slovak Republic, Bulgaria, China and North Korea. These contacts have also led to new arms procurements, most notably from Russia and the Slovak Republic (naval and air force acquisitions are discussed below).

In mid-1992, Russia executed a *volte face* in its policy on withdrawal from Cam Ranh Bay.[58] This has led to a prolonged series of negotiations on the terms and conditions of a continued Russian presence, a renegotiation of the 1978 Treaty of Friendship and Co-

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operation, and a resumption of Russian arms sales to Vietnam. In February 1996, for example, Admiral Igor Khmelnov, commander of the Russian Pacific Fleet, paid an inspection visit to Cam Ranh Bay. At the conclusion of his tour, Admiral Khmelnov announced that Russia "should keep and develop the Cam Ranh base".[59] The specific conditions for continuing Russian access to these naval facilities have still to be negotiated.[60]

In November 1993, a Hanoi-based correspondent noted that "Pragmatism has also taken root in the military sector. The Russians, who want to maintain their presence at the aeronaval base of Cam Ranh in southern Vietnam are apparently prepared to supply Hanoi with conventional arms on a commercial basis, especially spare parts, to replace the Vietnamese army's Soviet-made weapons".[61] In order to facilitate such sales, the Russian state export company, Rosvoorouzhenie, set up a regional office in Hanoi.[62]

In early March 1994, Senior Lt. General Dao Dinh Luyen, VPA Chief of Staff, paid a visit to Russia and the Ukraine.[63] While in Moscow, General Luyen held talks with the First Deputy Minister for Defence, Andrey Kokoshin, and Colonel-General Mikhail Kolesnikov, Chief of the General Staff. They discussed "prospects for and the state of military and technical cooperation" between the two countries, particularly the questions of maintenance, modernization and production of military equipment.[64] An agreement on bilateral military and technical co-operation was discussed.[65] Subsequent reports indicated that in 1994 (probably during General Luyen's visit) Vietnam and Russia signed three major contracts.[66] The first included a US$180 million deal involving the sale of six Sukhoi Su-27 FLANKER fighter bombers, a flight simulator, and a training package for pilots and maintenance personnel. The second contract included the sale of four defence radar systems, while the third contract involved the sale of two Type 1241 RA corvettes[67] (a Tarantul-class variant), with the option for further purchases. Subsequently, Vietnam placed an order for six additional Su-27s and was reportedly in the market for two Type 1241 RA corvettes and at least two additional Russian air defence radars of the type it had purchased previously.

In 1996, drawing on the developing technical capacity of its national defence industry, Hanoi proposed to Moscow that they co-produce Russian air defence radars and surface-to-surface missiles in Vietnam. No agreement has yet been reported. Vietnam and Russia, however, did agree to establish a joint venture to construct KBO 2000 and BPS 500 naval warships. The former is roughly equivalent to a corvette, while the latter is a much smaller fast-attack craft.[68]

In early 1997, Gennady Seleznyov, Speaker of the Russian Duma,

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noted during the course of a visit to Hanoi that defence ties (including military equipment sales) represented "one of the most important spheres of cooperation" between Russia and Vietnam.[69] "In future," he stated, "we shall try to develop our cooperation in the military field. We're not going to cut it."[70] Russia remains Vietnam's most important supplier of military equipment with sales reaching an estimated US$250 million in 1995.

Vietnam–Ukraine defence contacts were publicly inaugurated in March 1994 with the visit to Kiev by General Dao Dinh Luyen. General Luyen held discussions with Colonel-General Anatoliy Lopata, the Chief of the General Staff of the Ukraine Armed Forces and First Deputy Minister of Defence, on officer training and military co-operation, especially in the technical sphere.[71] The Ukraine Defence Ministry also reported that the two sides agreed on the necessity for mutually advantageous co-operation between the defence ministries of the two countries. In April, during the course of a visit to Hanoi by A.M. Zlenko, the Ukrainian Foreign Minister, it was reported that he held a working session with Vietnam's Defence Minister, Doan Khue.[72]

In June 1994, Lt. General Do Van Duc, the VPA's Deputy Chief of Staff, accompanied a large Vietnamese delegation, led by Prime Minister Vo Van Kiet, on a visit to Russia, the Ukraine and Kazakhistan. Prime Minister Vo Van Kiet raised the matter of the supply of spare parts to Vietnam's military while in Moscow and Kiev.[73] A joint communiquè issued at the end of Kiet's visit to Alma Ata, Kazakhistan, affirmed that the two sides hoped to expand bilateral co-operation, inter alia, in the field of national defence.[74]

Vietnam's defence contacts with the Slovak Republic were inaugurated in July 1994, during the course of a visit by Prime Minister Josef Moravcik. His delegation included Pavol Kanis, the Defence Minister, and representatives of major arms producers. They held discussions on weapons exports to Vietnam.[75] On his return to Slovakia, Kanis revealed that Vietnam had showed interest in buying Slovak-made howitzers and T-72 M2 tanks. In August that year, Vietnam's Deputy Prime Minister, Tran Duc Luong, paid a return visit and held talks with Defence Minister Kanis and Slovak arms manufacturers on the possibilities for mutual co-operation in defence industries.[76] Agreement was subsequently reached between Vietnam and Omnipol, a trading company, for the purchase of technology and equipment to make Grad rockets in Vietnam, with a trial production scheduled to start in November 1995.[77]

Vietnam's military contacts with Bulgaria, which were severed after 1989, were only restored in late 1996 as a result of an official visit by the Minister for Defence, Dimitur Pavlov. Pavlov led a high-level

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delegation composed of military officials and defence industry executives to Vietnam. At the conclusion of his trip the two sides signed an agreement covering military, scientific and technological co-operation, the exchange of military information, and reciprocal personnel training. Vietnam reportedly showed "great interest" in Bulgarian-made jammers.[78]

Vietnam and China resumed defence contacts shortly after political relations were normalized in November 1991. There have been persistent reports that China has supplied modest amounts of military equipment and arms to Vietnam. For example, after the May 1992 visit to Vietnam by Major General Fu Jiaping, head of the People's Liberation Army's (PLA's) Foreign Affairs Bureau, it was reported that arms sales had been discussed.[79] And, according to a Russian diplomatic source, China later provided modest amounts of equipment.

China and Vietnam later exchanged visits by their defence ministers. During General Doan Khue's visit to Beijing in December 1992 he thanked his hosts for their past "precious assistance and support", a statement which gave rise to speculation that Vietnam was seeking to acquire Chinese arms and equipment.[80] China's Defence Minister, Senior Lt. General Chi Haotian, reciprocated with a visit to Vietnam in May 1993. A joint statement issued at the end of his visit included the expresson, "friendly relations between the two countries are historic and should be developed".[81] This suggested to one analyst that "China may be about to fill the arms and equipment gap left by the ending of Soviet military assistance to Vietnam".[82] Of possible significance in this regard have been the visits to Vietnam in January 1995 and February 1997 by delegations led by the head of the PLA's General Logistics Department.

Since 1993, Vietnam's high-level defence contacts with China have exceeded those with all other countries. For example, their respective Chiefs of Staff paid reciprocal visits in April 1994 and April 1995 and again in July/August 1996. Although military co-operation was discussed no major Chinese arms sales to Vietnam have been publicly reported. Vietnam and China have also exchanged high-level delegations representing their General Political Departments and border commands.

A Vietnamese military delegation visited Pyongyang in May 1994 for preliminary discussions on the possibility of North Korean arms sales to Vietnam.[83] The following month, Defence Minister General Doan Khue led a high-ranking military delegation to Pyongyang for an official visit at the invitation of Marshal O Chin-u, Minister of the Democratic People's Republic of Korea's (DPRK's) People's Armed Forces. In November, Vice Marshal Choe Kwang, the Acting Minister of

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Armed Forces and Chief of Staff of the Korean People's Army, paid a return visit. Shortly afterwards, a diplomatic source in Beijing disclosed that Vietnam and North Korea had struck a deal on barter trade under which North Korea would supply Vietnam with weapons parts and ammunition in exchange for rice.[84]

The Navy

The Vietnamese navy is primarily a coastal-defence force which has been assigned the added roles of EEZ (Exclusive Economic Zone) surveillance in the South China Sea and Gulfs of Thailand and Tonkin, and protection of the Spratly Islands.[85] It consists of eight ageing frigates, an assortment of fifty-two missile fast-attack, large patrol and coastal patrol craft, seven amphibious ships, six landing craft and eleven assorted minesweepers. Most of Vietnam's ships are armed with small calibre guns. Only two frigates and ten fast-attack craft are equipped with missiles.[86] According to a survey by Joseph Morgan, the maintenance and repair of ex-U.S. and ex-Soviet vessels is "difficult" and "spare parts are in particularly short supply, and the situation will continue to worsen".[87] Vietnam's naval manpower is estimated at 42,000, including 30,000 naval infantry.[88]

Vietnam's navy has little capability to project significant power into the South China Sea or farther afield. Under the best possible circumstances, Vietnam could possibly land a regimental-size assault force of 2,800 men equipped with light howitzers and recoilless rifles in the South China Sea area.[89] More probably, as Morgan argues, "It is unlikely that the Vietnamese navy could mount even a small-scale amphibious assault on any of its Southeast Asian neighbours. Its nine amphibious ships are old, slow, and probably in a poor state of maintenance".[90] There is general agreement, however, that Vietnamese forces would be overwhelmed in any theatre conflict with Chinese naval forces or in any conflict involving regional states. In June 1992, for example, a military attaché stationed in Hanoi offered the assessment that Vietnam's navy would be outmatched by China's.[91] Morgan, writing two years later, concurred, "the Vietnamese navy is no match for China's much larger and more effective navy".[92] Vietnam would also be at a disadvantage at the "engagement level" in a one-on-one conflict with most regional states.

No doubt to redress this situation, on 13 May 1995, Do Muoi, Secretary General of the Vietnam Communist Party, delivered a speech in which he called for the modernization of the Vietnamese navy so that it could protect the country's territorial waters.[93] He was quoted as stating "[w]e must reinforce our defence capacity to defend our

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sovereignty, national interests and natural marine resources, while at the same time building a maritime economy".[94] Local officials were urged to "build a more and more powerful and modern navy so that it can play a prime role in deploying units in wartime".

As noted above, Vietnam has moved to open defence contacts with a variety of countries, including former allies and non-traditional states. These contacts have resulted in a clear expression of interest on Vietnam's part in acquiring coastal patrol boats and ocean patrol vessels of corvette size either through purchase or co-production, as well as high-technology equipment for its navy.[95] For example, in June 1993, on his trip to Indonesia, General Doan Khue paid a working visit to the port of Surabaya. General Khue's interest in the activities of the naval shipbuilding company there indicate that Vietnam was investigating the possibilities of enlisting foreign partners in ship construction in Vietnam.[96]

In May 1993, Vietnam approached the Australian Defence Industries (ADI) to enquire about the construction of a cutter-size vessel at its Ba Son shipyard. The vessel was to be equipped with surface-to-surface missiles. The Vietnamese request was quietly turned down. Later that year, two Royal Malaysian Navy patrol craft paid a three-day port visit to Ho Chi Minh City, the first visit of its kind.[97] It was subsequently reported that "Malaysia has been entertaining the thought of selling some patrol boats to Vietnam but it has emerged that this is not possible because Vietnam cannot afford them".[98] An August 1994 report revealed that Vietnamese Deputy Prime Minister Tran Duc Luong, while on a visit to the Slovak Republic, expressed an interest in medium-sized coastal defence vessels produced there.[99] In late 1994, Vietnam approached South Korea with an offer to purchase three 80-ton fast patrol boats from the Hyundai group. The craft are designed for coastal patrol and are valued at between US$5 and $7 million each.[100]

Vietnam finally achieved success in its quest for coastal and ocean patrol vessels. As noted above, in 1994 Vietnam purchased and later took delivery of two ex-Soviet corvette-sized vessels; in 1996 it placed an order for two additional ships of the same class. At the same time, Russia and Vietnam reached agreement on the co-production of BPS 500-type missile boats. Two such vessels are currently being assembled at a naval dockyard in Ho Chi Minh City.[101] These are the first such warships to be built entirely in Vietnam. Also in 1996, a consortium of Australian companies successfully bid for a contract to build twenty coastal patrol boats for the Vietnam Customs Department.[102] Sixteen of these vessels are to be constructed in Vietnam under a joint venture agreement. These purchases and co-production agreements represent Vietnam's first significant naval acquisitions since the early 1980s and

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mark a new stage in its force modernization programme. The acquisition of missile-armed corvettes also marks a significant upgrading of the navy's potential for operations in the South China Sea.

The Air Force

The Vietnamese air force consists of 196 combat aircraft, 33 armed helicopters, and an assortment of other craft, mainly for transport and training purposes. It is unclear how many aircraft are operational. The mainstay of the combat air arm is the MiG-21 FISHBED and the Su-22 FITTER (of which Vietnam has 125 and 65 respectively).[103] Air force manpower totals 15,000.

Vietnam's air force is equipped for a self-defence role. It cannot mount strikes beyond the geographic region of Indochina, Thailand and southern China.[104] It lacks in-flight refuelling and AWAC capabilities and in its present condition is unable to maintain continuous air cover over the Spratly Islands. In any conflict involving the use of air power, Vietnam would be hardpressed to make up for battlefield losses in equipment and trained manpower. As early as 1988, one review concluded, "Vietnam's airforce suffers from ageing aircraft and a critical shortage of spare parts ..."[105] This situation has worsened in recent years. Twenty of Vietnam's Su-17 FGAs were retired in 1993, while the number of MiG-21s has steadily declined from a high of 200 in 1987 to 125 (1996). The combat efficiency of the Vietnamese air force has been affected by the retirement of pilots with combat experience dating to the Vietnam War and by the training restrictions imposed by fuel costs and the shortage of munitions. Pilot proficiency has dropped and staff morale is low. When these factors are combined, it is reasonable to conclude that Vietnam's air force has lost whatever qualitative personnel edge it may have had over regional rivals two decades ago.

Vietnam has made approaches to a number of countries, including Russia, India, Israel, Indonesia, the Philippines and Singapore, for assistance in refurbishing and extending the life of its existing air fleet. It has also embarked on a limited purchasing programme. In 1993, as noted above, representatives from Israeli defence companies visited Vietnam to discuss assistance in upgrading aircraft such as the MiG-21s.[106] In April 1994, Philippine President Fidel Ramos, while on an official visit to Vietnam, proposed joint ventures in reconditioning equipment, including aircraft.[107] President Le Duc Anh reportedly welcomed the offer as a "good idea".[108]

In 1994, following the visit to Vietnam of Indian Prime Minister P.V. Narasimha Rao, Vietnam reached agreement with Hindustan Aeronautics Ltd. (HAL) to overhaul and service its MiG-21 engines.

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The engines were shipped to India.[109] Diplomatic sources stated that only eight to ten aircraft engines were involved initially. HAL also provides unspecified "technical support". In mid-1995 four MiG-21 aircraft engines which had been overhauled were returned to Vietnam. HAL has since pressed Hanoi for further orders to overhaul the remaining MiG engines at a cost of US$100,000 each.[110]

In 1992, Vietnam purchased nine Aero L-39 Albatros jet trainers from the the Czech and Slovak Republics.[111] In 1994, it was reported that Vietnam was in the market for additional Aero L-39 ZA light attack craft, fitted with Western avionics and weapons systems, from the Czech Republic.[112] The following year it increased its stock of Su-22 FITTERS by purchasing an additional twenty-five (making a total of sixty-five).[113] More significantly, as noted earlier, in 1994 Vietnam and Russia reached agreement on the sale of six Sukhoi Su-27 FLANKER fighter-bombers. Vietnam will pay 85 per cent of the sale price in hard currency (amounting to US$153 million) and the remainder in agricultural produce.[114] Two Su-27s were delivered to Vietnam in 1995[115] and an order for an additional six Su-27s was placed in 1996.

Conclusion

The pattern of force modernization in Vietnam differs markedly from that of its regional neighbours. As a result of external military assistance, Vietnam developed a conventional force structure at an earlier date. The weapons and equipment provided to the Vietnam People's Army were continually modernized throughout the period from the mid-1960s to the mid-1980s. Foreign military assistance came to an abrupt end in 1990–91 at a period when other Southeast Asian countries were stepping up arms procurements. Vietnam has lost whatever qualitative edge it had and has been rapidly overtaken by the force modernization programmes of other Southeast Asian states.

At the same time as foreign military assistance dried up, Vietnam's military budget was slashed. Vietnam's military procurement programme stagnated from 1986 until 1992 when concerted efforts were made to seek foreign assistance in the maintenance, repair, reconditioning, refurbishment and upgrading of existing stocks of military weapons and equipment donated earlier by the Soviet Union. In future, Vietnam will continue to accord priority to maintaining its close defence ties with the Russian Federation and India and with its fellow ASEAN members; but Vietnam will also be willing to develop links with any other state offering defence equipment sales, or assistance.

One notable feature in recent years has been the expansion in the number of external defence contacts pursued by Vietnam. Since 1991

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Vietnam has expanded its foreign military relations to include Australia, Bulgaria, Burma, Cambodia, Canada, China, Cuba, Czech Republic, France, India, Indonesia, Israel, Italy, Japan, Kazakhstan, Laos, Malaysia, North Korea, the Philippines, Singapore, Slovak Republic, South Korea, Thailand, Ukraine, United Kingdom and the United States. Since 1992 Vietnam has also hosted visits by naval warships from France, Canada and Italy. A visit by a U.K. warship has been approved while a request for a U.S. Navy port visit is under consideration. There are presently thirteen military attachés stationed in Hanoi (from China, Russia, North Korea, South Korea, Cuba, Laos, Cambodia, France, India, Indonesia, Thailand, United Kingdom and the United States). Japan is expected to post a defence attaché in the near future. Australia may do so within a year. Increasing numbers of Vietnamese military officers can be expected to travel abroad for education and training. Thailand, the Philippines and Australia have all offered places in either their military academies or national defence institutes.

Vietnam is now operating from a very low level. If revised figures on Vietnam's defence expenditures are used as the base, Vietnam probably cannot afford to spend more than US$250-$300 million per year on arms purchases. Vietnam has been highly selective in what it has purchased. It first sought spare parts, ammunition, and weapons parts. It has been in the market for howitzers, T-72 M2 tanks, coastal and ocean patrol boats and jet aircraft. Since 1985 it has purchased only three new weapons systems: the Grad multirocket weapon, the Su-27 FLANKER jet fighter, and the Tarantul-class corvette.

As a consequence of external dependency, Vietnam's national defence industry has been retarded. Since 1994 Vietnam has placed high priority on developing this sector. As a matter of policy, Vietnam's defence industry is to grow and develop alongside the national economy. A premium has been placed on acquiring dual use technology and passing on technical innovations from the civilian to defence industries. This new emphasis was originally endorsed by the 1994 mid-term party conference and has since been re-endorsed by the eighth National Party Congress held in mid-1996.[116] According to the party's Political Report to the eighth Congress, priority in the industrial sector will be given, *inter alia*, to the shipbuilding and ship-repair industries "to ensure that ... the capacity to be independent and economically self-sufficient in terms of national defence is improved. We must link economic construction to national defence. We must build and develop the defence industry ..."[117] According to Vietnamese defence officials, their goal is to develop "a regular and modern" armed force by the end of the century. Quite clearly, Vietnam is presently embarked on a programme designed to industrialize and modernize in order to catch

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up with its neighbours. Success in reaching this goal will underpin Vietnam's military force modernization programme, as it has done with other ASEAN members.

APPENDIX A
Vietnam's Air Force

Type	*1987/88*	*1988/89*	*1989/90*	*1990/91*	*1991/92*	*1992/93*	*1993/94*
FGA	270	250	394	250	185	185	190
Ch J-5	–	–	70	–	–	–	–
MiG-23BN*	30+	–	36	–	–	–	–
Su-7B	–	–	30	30	–	–	–
Su-17	–	–	–	30	20	20	–
Su-20/-22	40	40	40	40	40	40	65
Su-27	–	–	–	–	–	–	6
Fighters							
MiG-21 bis							
F/PF	200	200	200	206	150	125	125
Helicopters	200	200	200	200	200	200	70
Armed Helicopters	36	30	47	37	28	20	33
Mi-6	15	20	20	5	5	5	–
Mi-8	36	36	36	25	30	30	–
Mi-24	30	30	30	20	24	20	25
Ka-25	17	17	17	17	8	8	8
Transport	135	135	135	135	–	–	–
An-2	20	12	12	12	12	12	12
An-24	9	9	9	9	4	4	4
An-26	50	50	50	40	30	30	30
An-30	2	2	2	2	2	2	2
Be-12	–	5	12	4	4	4	4
Tu-134	6	8	8	8	8	8	8
Yak-40	11	11	11	11	14	14	14
Training**	70	53	53	53	53	53	53
Other Transport							
Boeing 707	2	2	2	–	–	–	–
C-130A/b	–	–	10	–	–	–	–
Il-14	7	–	6	–	–	–	–
Il-18	2	2	2	2	–	–	–
Li-2	–	–	20	–	–	–	–

* It is doubtful that the Vietnamese air force ever acquired MiG-23s; see note 103.
** MiG-21U, Aero L-29, Aero L-39, Mi-8, Mi-24, MiG-15UTI, MiG-21U, Yak-11, Yak-18.

SOURCE: International Institute for Strategic Studies, *The Military Balance* (years indicated).

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NOTES

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20. The Central Intelligence Army (CIA) estimated Vietnam's 1995 defence budget at US$554 million.
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25. *Tap Chi Quoc Phong Toan Dan* (December 1989).
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"Su-27s revitalize Hanoi's forces", *Jane's Defence Weekly*, 20 May 1995, p. 3. Israel is presently assisting Cambodia in upgrading its Aero Vochodody L-39 Albatross Light Fighters/Trainers and Russian-manufactured Mil helicopters.

41. Based on the author's conversations with officials and diplomats in Hanoi and Canberra during 1993–95. See also Greg Sheridan, "Lure of the East", *Weekend Australian*, 25–26 March 1995, p. 24.
42. "Hoat Dong Cua Doan Dai Bieu Quoc Phong Nuoc Ta Tai Phap", *Quan Doi Nhan Dan*, 28 June 1994.
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66. Robert Karniol, "Shipbuilding at centre of Vietnam modernisation", *Jane's Defence Weekly*, 4 September 1996, p. 17.

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67. Initial reports described these ships as ex-Soviet M3 Tarantul-class frigates. The term, Type 1241RA "missile boat", is a Russian designation. Their armament includes SA-N-5 Grail and SA-N-11 surface-to-air missiles. In addition, the Tarantul I and II models are equipped with four SS-N-2C/D Styx SSMs while the Tarantul III is outfitted with SS-N-22 Sunburn SSMs.
68. The KBP 2000 displaces 2000 tonnes while the BPS 500 only displaces a quarter of that amount. The BPS 500 may be armed with guns, missiles or torpedoes.
69. Reuter, Hanoi, 24 February 1997.
70. Jeremy Grant (Hanoi), "Moscow-Hanoi Defence Links", *Financial Times* (London), 25 February 1997.
71. UNIAR News Agency, Kiev, 9 March 1994.
72. Voice of Vietnam Network, Hanoi, 23 April 1994.
73. AFP, Hanoi, 6 June 1994; and Reuter dispatches by Lida Poletz in Kiev and John Rogers in Hanoi, 8 June 1994.
74. Vietnam News Agency, Hanoi, 13 June 1994.
75. Slovak Telegraph Agency TASR via APA, 8 July 1994; and Reuter, Bratislavia, 25 August 1994.
76. Reuter, Bratislavia, 25 August 1994.
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83. ITAR-TASS, Moscow World Service, 30 May 1994. See also Yonhap News Agency, Moscow, *Choson Ilbo* [Seoul], 31 May 1994.
84. Jiji Press, Beijing, *Mainichi Shimbun* (Tokyo, morning edition), 26 November 1994, and Yonhap News Agency, Seoul, 26 November 1994.
85. This also includes control of the large coastal traffic consisting of numerous fishing boats and coastal trawlers.
86. The frigates and FACs (Osa-II and Tarantul-class) are armed with SS-N-2 Styx SSMs.
87. Joseph R. Morgan, *Porpoises Among the Whales: Small Navies in Asia and the Pacific*, East-West Center Special Reports, no. 2 (March 1994), p. 21. The order-of-battle is taken from Richard Sharpe, ed., *Jane's Fighting Ships 1993–94* (Coulsdon: Jane's Information Group Limited, 1993); and International Institute for Strategic Studies, *The Military Balance, 1993–94* (London, 1994).
88. International Institute for Strategic Studies, *The Military Balance, 1993–94*, p. 172. There are minor discrepancies between these sources.
89. An assessment in 1992 concluded, "Vietnam does have an amphibious assault capability, notably through three ex-Soviet Polnocny B class LSMs and almost 30 smaller units, mostly ex-US types". See "Spratly Islands rivalries bring regional navies into focus", *Jane's Defence Weekly*, 22 August 1992, p. 19. If operational, Vietnam's three Polnocny and three ex-US LSMs could easily accommodate a regimental assault force described in the text.
90. Morgan, *Porpoises Among the Whales.*

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91. Quoted by Andrew Sherry, AFP, Hanoi, 29 June 1992.
92. Morgan, *Porpoises Among the Whales.*
93. Voice of Vietnam External Service, Hanoi, 30 May 1995.
94. *Quan Doi Nhan Dan*, 29 May 1995. See also *Jane's Defence Weekly*, 10 June 1995.
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96. While in Surabaya, Doan Khue boarded and inspected a naval warship (Radio Republic of Indonesia, 6 June 1993). As early as 1990, it was reported that Vietnam wanted to expand its navy but could not do so because of budget constraints. See Gwen Robinson, "Big military cuts in Vietnam", *Asia-Pacific Defence Reporter* (July 1990), pp. 7–9. Chinese commentary on Vietnam's seventh Party Congress (June 1991) noted that Vietnam "is planning to build its navy into an armed force composed of naval vessels, submarines, and a naval air force with a long-range combat ability, within twenty to thirty years". See Ni Xiayun and Wu Kechuan, "Seventh Communist Party of Vietnam National Congress Attracts Attention", *Shijie Zhishi* (Beijing) no. 15 (1 August 1991): 13–14. During the goodwill visit of the French frigate *Nivose* in November 1992, Vietnamese sources were quoted as saying that Vietnam needed a modern warship like the *Nivose* to defend the Spratly Islands. In July 1994, the VCP Central Committee adopted a resolution on industrialization and modernization which called for the construction of boats for the Navy and Border Defence Corps; Voice of Vietnam, Hanoi, 11 August 1994.
97. Vietnam News Agency, 2 August 1993.
98. Greg Sheridan, "Keating's Touch of Madness on Indonesia", *The Australian*, 18 July 1994, p. 11.
99. Slovakia 1 Radio, Bratislava, 25 August 1994.
100. Yonhap News Agency, Seoul, 13 February 1995.
101. "Missile Craft for Vietnamese Navy", *International Defense Review*, 1 February 1997, p. 13. The 32-knot fast attack craft are usually armed with two quadruple launchers for the Kh-35 Uran surface-to-surface missile system in addition to one 76mm gun and a 30mm rotary cannon. They are products of the Russian Severnoye Design Bureau.
102. Ian Porter, "$38M Contract for Patrol Boats", *Australian Financial Review*, 22 February 1996.
103. There have been erroneous reports that Vietnam acquired the MiG-23. The first such report appeared in the *Far Eastern Economic Review* on 11 December 1981. In 1988 the IISS reported that Vietnam was operating over thirty MiG-23 FLOGGER FGAs (*The Military Balance* [1987/88 and 1989/90]). See also "The Vietnamese People's Air Force", *Military Technology*, February 1988, pp. 43-44. These later reports have not been confirmed.
104. In the late 1960s, the Soviet Union provided Vietnam with approximately ten IL-28/BEAGLE light bombers. These were thought unserviceable by the early 1980s. The SU-17/FITTER-B based in Vietnam could strike targets in Thailand but they were never equipped with sophisticated tactical missiles for such a role.
105. Murray Hiebert, "Taking the flak", *Far Eastern Economic Review*, 10 November 1988, p. 42.
106. "Vietnam in talks with Israel on upgrades", *Jane's Defence Weekly*, 19 March 1994, p. 9.
107. AFP, Manila, *Straits Times*, 12 April 1994.
108. Reuter, Manila, 11 April 1994.
109. Harish Mehta (Ho Chi Minh City), *Business Times* (Singapore), 30 September 1994. According to this report, Vietnam normally sends its engines to the MiG Bureau in

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the former Soviet Union for servicing. Vietnam turned to India when a new bureau factory manager demanded payment at market prices which Vietnam could not afford. See also Harish Mehta, "From Political Allies to Economic Partners", *Business Times*, 30 November 1994.

110. *Business Times* (Singapore), 16 June 1995.
111. Robert Karniol, "PAVN Strives to Modernize in a Climate of Austerity", *Jane's Defence Weekly*, 3 April 1993, p. 18.
112. "Czechs expect $200m in aircraft contracts", *Jane's Defence Weekly*, 17 September 1994, p. 15.
113. It is unclear whether this represents an upgraded intelligence estimate or a new purchase.
114. Harish Mehta, "Vietnam Beefs Up Air Power with Six Russian Planes", *Business Times* (Singapore), 16 June 1995.
115. Robert Karniol, "Su-27s revitalize Hanoi's forces", *Jane's Defence Weekly*, 20 May 1995, p. 3.
116. The military has emerged as a powerful political actor within Vietnam's political system. At the eighth Congress, four generals were elected to the eighteen-member Politburo and, more importantly, two were placed on the newly created Politburo Standing Board. General Le Kha Phieu, head of the General Political Department and a member of the Politburo and its Standing Board, is seen as a rising star with the potential to become the next party Secretary General. See Carlyle A. Thayer, "People's Army gets in step with era of friendly reform", *The Australian*, 6 September 1996; and Jeremy Grant, "Military tries to keep power base", *Financial Times* (London), 16 April 1997.
117. *Quan Doi Nhan Dan*, 30 June 1996.

CARLYLE A. THAYER is Associate Professor and Head of the School of Politics at the Australian Defence Force Academy. He is also Director of the Australian Defence Studies Centre's Regional Security Studies Programme.

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The Modernization of the Malaysian Armed Forces

J. N. MAK

This article discusses the development of the Malaysian Armed Forces over the past ten years in the context of a nascent inter-service rivalry between the army and the navy. While the navy had a role clearly defined for it in the post-Cold War world, the Malaysian army felt itself sidelined, at least for a little while. The army's problems were also compounded by the end of the communist insurgency, which meant that it was no longer the first line of defence in the Malaysian context. This role was taken over by the navy with the Malaysian emphasis in the early 1990s on maritime defence and surveillance. The army, however, reacted vigorously by adopting a more conventional stance, with the emphasis on rapid deployment and peacekeeping. This incipient rivalry between the services, it is argued, will ensure that the army will increasingly emphasize the importance of a conventional and mechanized role for itself to remain relevant in the post-Cold War world.

Introduction

The development of Malaysian defence doctrine and, together with it, force modernization, can be divided into three fairly distinct phases: the counter-insurgency warfare (CIW) phase from independence in 1957 up to the mid-1970s; the conventional land warfare phase of 1979 to 1984; and the maritime phase of the past ten years. Like other armed forces in Southeast Asia, the development and modernization of the Malaysian Armed Forces (MAF) have been affected by various

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domestic and external factors. These include threats to national security and non-military imperatives, such as domestic pressures, foreign policy initiatives and economics. However, a factor which has never been significant in the history of the MAF, inter-service rivalry, had surfaced since the mid-1980s. The appearance of this inter-service rivalry, it is argued, has shaped the MAF's force modernization and its defence acquisitions to a significant degree over the past decade.

The Malaysian army, as a result of history and strategic demands, has always been the dominant service in the MAF. In the last ten years, however, the Royal Malaysian Navy (RMN), and to a lesser extent, the Royal Malaysian Air Force (RMAF) appear to have increasingly occupied centre stage. One reason for this is that Malaysia, like other nations in the region, has begun to adopt a greater conventional, and maritime, defence stance, which has given the RMN a more prominent role since the end of the 1980s. Concurrently, the army appears to have been somewhat sidelined. This relative decline of the army is reflected in the acquisitions trend of the mid-1980s and early 1990s, with most big-ticket purchases going to the navy and the air force. The army, however, has not been content to play second fiddle, and has reacted vigorously by focusing on new roles and restructuring itself to better suit the defence requirements of the 1990s. The army appears to have weathered the RMN assault, and has succeeded in making the transition, at least in terms of doctrine, from an essentially counter-insurgency force to a conventional all-arms force. The new roles which the army has embraced, and around which it sees its future, are peace-keeping and rapid deployment.

This article argues that this inter-service rivalry between the army and its main protagonist, the RMN, has helped accelerate the move to turn the MAF into a conventional armed force. In addition, it will "lock in" the development of the MAF as a conventional military force for some years to come. If it had not been for this inter-service rivalry, the army could well have been contented to remain an essentially CIW force, with a very inward-looking focus. Very likely, the army reacted more vigorously than it would otherwise have to the changed strategic climate because of the window of opportunity the new defence environment offered to the RMN. Thus, the army was forced to accelerate the process of modernization and remain relevant to Malaysia. As a consequence, both the army and the RMN see their future tied very much to the concept of "regional defence", with the accent on developing a limited regional power projection capability. At the same time, it is unlikely that the navy will be able to displace the army as the *primus inter pares*. This is because while the sea remains very important for Malaysia, it is still land forces which will be the

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decisive factor in the defence of the realm from the political point of view.

Army Dominance: The CIW Phase

The MAF's acquisitions since 1960 can be roughly divided into three clusters or periods of arms modernization/acquisitions. The first is the 1963–73 period when Malaysia had to contend with internal insurgencies, and the defence problems brought about as a result of the creation of the Federation of Malaysia in 1963 and the British withdrawal East of Suez in 1971. The 1979–84 cluster took place when the MAF responded rapidly to a perceived land threat from Vietnam. The latest cluster, with its emphasis on maritime arms, started in 1985 and is likely to continue until at least the year 2000 when the Seventh Malaysia Plan ends. The Vietnam threat cluster and present-day maritime cluster are clearly divided by the economic slowdown of 1985, when Malaysia placed nearly all military acquisitions on hold.

When Malaya was granted its independence in 1957, it negotiated not only the Anglo-Malayan Defence Agreement (AMDA) with the United Kingdom for the external defence of the new nation and mutual assistance, but also requested the governments of "Britain, Australia and New Zealand to continue to make their forces available for Emergency [a euphemism used for the counter-insurgency campaign against communist guerrillas] operations".[1] The country then had neither the need, nor indeed the resources, to establish a conventional armed force for external defence. The immediate and real danger to the regime then was the ongoing "Emergency" against communist guerrillas, which required the Malaysian Government to acquire a significant counter-insurgency capability. The CIW requirement did not end until the 1980s, and the demands made by the counter-insurgency turned the MAF into an infantry-heavy "unbalanced force".[2] This was the main reason why the army came to dominate Malaysian defence planning in terms of force structure, role and acquisitions for almost thirty years. The other reason is that of history. Britain raised the Experimental Company of the Malay Regiment in 1933, and it was the only Malayan unit raised in any substantial number. It was therefore the Royal Malay Regiment (RMR), an infantry unit until today, which provided the cadre of local officers for the MAF when Malaya became independent.[3] The tradition of the British regimental system was perpetuated by the officers of the RMR after independence, and the RMR ensured that not only did the army become the senior service in the MAF, but Royal Malay Regiment officers would dominate the entire top hierarchy of the MAF.

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The first watershed event which marked the development of the post-independence MAF was probably the formation of the Federation of Malaysia, when Malaya was integrated with Sabah (former British North Borneo), Singapore and Sarawak, in 1963.[4] The creation of the Federation meant that Malaysia became a nation fragmented by a large body of water, with the South China Sea separating Malaya/Singapore from Sabah and Sarawak. Like it or not, Malaysia became a maritime nation, at least in geostrategic terms, and this gave the RMN a unique and important role. The long-term geostrategic implications of creating a nation fragmented by water was, however, temporarily overshadowed by Indonesia's reaction to the Federation.

For a range of complex reasons, the then President of Indonesia, Soekarno, launched a "Confrontation" campaign (otherwise known as the "Undeclared War") against Malaysia from 1963 to 1966. "Confrontation" did not directly change the orientation of the MAF. In fact, it reinforced the need for more land forces and the continuation of a CIW doctrine. This was because the "Confrontation" campaign largely involved small-unit action and ground forces to break up small-scale infiltration by Soekarno's forces along the jungle borders of Sarawak and Indonesian Kalimantan. The campaign was quite similar in nature to counter-insurgency warfare.[5] Moreover, as part of "Confrontation", Soekarno had also helped to create and support a local Sarawak insurgency, mounted by the Sarawak Communist Organisation (SCO), which did not officially end until 1990. "Confrontation" affected the MAF indirectly and in the long term by draining the resources of Britain and hastening the withdrawal of British forces East of Suez, but it did not substantially change the orientation of the MAF at that time. Indeed, it is officially acknowledged today that the Malaysian "army's experience in the conduct of defensive war was rather limited",[6] with British and Commonwealth forces bearing the brunt of the fighting. The army's strength at that time was only 13,000.

AMDA was terminated in 1971, to be replaced by the looser Five-Power Defence Arrangements (FPDA). This meant that Malaysia had to be somewhat more self-reliant in defence. Defence self-reliance at that time was seen primarily as the ability to continue CIW operations against insurgents both in Sarawak and Peninsular Malaysia. This CIW emphasis was reinforced by a resurgence of CPM (Communist Party of Malaya) activities in the Peninsula, with the blowing up of the National Monument in Kuala Lumpur in 1974 and the assassination of the Inspector-General of Police as well as officers of the Special Branch, or Intelligence Branch, of the police. To acquire more firepower and to replace the tiny but reliable Ferret scout cars used primarily for CIW operations, Malaysia ordered seventy AML-60 and seventy AML-90

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armoured cars from France in 1971, together with an order for forty-four M-3 VTT Armoured Personnel Carriers (APCs). These vehicles were delivered between 1973 and 1974. In addition, 100 U.S.-made Commando V-100 APCs were ordered and delivered in 1971, followed by an order for 130 of the V-150 version in 1977 (delivered in 1978–79).

During this period, attempts were made to acquire a limited air defence capability. This was partly the result of the 1968 Filipino claim to Sabah, which led to a somewhat tense situation between Malaysia and the Philippines. Malaysia's first interceptor squadron was formed in 1971 when six ageing RAAF Sabre F-86s were handed over as a gift by Australia. To really address the air defence issue, sixteen Northrop F-5E/Bs were ordered in 1972 and delivered between 1974 and 1976, followed by more F-5E/Fs in 1981. This air defence issue is interesting in that the only tangible result of the FPDA was the Australian commitment to maintain an air defence squadron in Butterworth, in northern Peninsular Malaysia, under the Integrated Air Defence System (IADS).[7] The last RAAF interceptor squadron was withdrawn from Butterworth only in 1988.[8]

The Australian contribution to the defence of Peninsular Malaysia has been cited as a primary reason for the tardy development of the RMAF as a combat arm. As such, despite the acquisition of the F-5Es in the early 1970s, the role of the RMAF was seen primarily as providing logistical support for the ground forces, supplemented by limited close air support for infantry against insurgents. Unlike the RMN, the creation of the Federation of Malaysia did not give the air force an independent role. A combination of factors continued to make the RMAF a supporting arm for the army. Apart from the operational demands of a CIW campaign, the RMAF failed to develop as an independent combat arm in the 1970s because of the sheer expense of building up a comprehensive air defence capability from scratch. The existence of the air defence umbrella provided by AMDA and later the IADS under the FPDA also meant that there was no urgency in developing an indigenous air defence capability.[9] Thus, the basic orientation of the RMAF was still towards the support of land forces in the 1970s.

The Navy, however, had a more important and independent role as a result of the Federation. The two "halves" of Malaysia had to be secured. This geostrategic need laid the foundation for the growth and development of the RMN. It gave the Navy a new and very crucial plank for planning its force development. Moreover, much of the CIW campaign against the guerrillas of the Communist Party of Malaya was fought in the mountains and foothills of Peninsular Malaysia, away from coastal and riverine areas. As such, while the navy provided some logistical support for the campaign against the SCO in the Rajang River

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in Sarawak, naval acquisitions and modernization during this period was dictated by the needs of an incipient maritime strategy, and not by the requirements of any brown-water strategy against insurgents. This is reflected by the acquisitions of the 1965–71 period. One Yarrow-type frigate was ordered in 1966 and delivered in 1971. The first class of missile-armed fast-attack craft, the four Combattante II-type, were also ordered in 1970 (delivered in 1973), making the RMN the first of the ASEAN navies to deploy a fully capable missile-armed fast-attack craft. During this time frame also there was the acquisition of six gun-armed fast-attack craft of the Jerong-class, ordered in 1973 and assembled under licence from Germany between 1976 and 1977.

Army Pre-eminence: The Vietnam Scare and PERISTA

The second watershed event in the MAF's modernization followed the Vietnamese invasion of Cambodia in December 1978. In terms of acquisitions and modernization, this period was a heady one for the army. There was unease in Kuala Lumpur when the U.S.-backed Saigon regime fell in 1975. The Vietnamese invasion of Cambodia finally convinced the Malaysian government that there was a real possibility of a land attack by Vietnam. It therefore quickly drew up an ambitious plan for the expansion of the MAF, known by the Malay acronym PERISTA (or Armed Forces Special Expansion Programme) to equip and turn the MAF into a conventional warfare force as rapidly as possible to block a possible Vietnamese thrust across Thailand and down the Malay Peninsula.

> Nowhere in the region has the shift from COIN to conventional preparedness been more dramatic than in Malaysia.[10]

While in retrospect the fears may have been unfounded, the Malaysian Government took the Vietnamese overland threat seriously at that time. The Malaysian perception of the Vietnamese threat is interesting because it was the fear ultimately of the Soviet Union, Vietnam's close ally and backer, that gave it any basis. That the threat was seen as landward, however, could have been because the military hierarchy was still dominated by British-trained Royal Malay Regiment officers, who were all keenly conscious of the 1941 Malayan campaign when the Japanese marched down and took over the Peninsula in a daring overland campaign. In addition, the back of the communist insurgency had been effectively broken by the 1970s, and the army possibly saw the Vietnamese threat as an opportunity to continue to remain relevant, and thus perpetuate its dominance of the MAF by adopting a more conventional role. After all, it was difficult to justify the continued

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existence of an army of 53,000 just to contain a handful of communist guerrillas.[11] In any event, the MAF embarked on what appeared to be a shopping spree. The shopping list for the army included:

1. 186 X Sibmas 90 Armoured Infantry Fighting Vehicles (AIFVs) (Belgian, ordered in 1981, delivered in 1983–85).
2. 459 X Condor APCs (German, ordered in 1981, delivered in 1982–84).
3. 26 X Scorpion 90 Light Tanks (UK, ordered in 1982, delivered in 1982–84).
4. 25 X Stormer APCs (UK, ordered in late 1981, delivered in 1983–84).

The supporting role of the RMAF was once again emphasized by the purchase of twelve Italian MB-339A jet trainer/light strike aircraft, which were ordered in 1982 and delivered in 1983–84. To enable the RMAF to carry out its envisaged role of close air support, eighty-eight used A-4C and A-4L Skyhawk strike aircraft were obtained from the United States in 1981. An eventual total of forty-four A-4s were refurbished (as the A-4PTM version) out of the eighty-eight old airframes and delivered to the RMAF between 1984 and 1986.

Unlike the air force, the navy had been, even before PERISTA, expanding slowly but surely. This was because, as pointed out earlier, the navy had an important role to play in securing the two "halves" of Malaysia. At the same time, there were the practical economic considerations of resource protection. Malaysia had begun exploiting its offshore hydrocarbon resources in the late 1970s, as international negotiations on "fencing off" ocean space were carried out in the series of United Nations Law of the Sea Conferences which began in 1958. The series of talks culminated in the 1982 Convention on the Law of the Sea (UNCLOS). The UNCLOS gave Malaysia vastly increased maritime space, and the official right to exploit the living and non-living resources within a 200-nautical mile Exclusive Economic Zone (EEZ).[12]

Naval acquisitions were therefore significant even before the PERISTA (1979–84) period. One refurbished Mermaid-class frigate was ordered in 1976 and delivered in 1977; four missile-armed Handalan-class FACs were ordered in 1976 (delivered in 1979); and one Mutiara-class survey ship was ordered in 1975 and locally assembled and delivered in 1978. The PERISTA period saw one Sri Indera-class support ship ordered in 1979 (delivered in 1980), with a second sister ship ordered in 1981 under a local production licence (delivered in 1983). Two FS-1500-type corvettes were ordered from Germany in 1981 (delivered in 1984) together with four Lerici-class mine counter-measures vessels (MCMVs) from Italy. To support maritime operations, three

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maritime patrol C-130H-MP Hercules were ordered in 1979 (delivered in 1980).

Shift in Planning Imperatives: The Rise of the Navy

PERISTA marked the high point of the army. It gave the army a whole mass of new equipment, especially armour, ranging from fire-support vehicles to tracked reconnaissance vehicles, in fairly substantial numbers. But the emphasis on conventional ground warfare created major doctrinal problems for the army, as well as problems of integrating the various army components. Though difficult, this situation was more than acceptable, because it meant that the army still remained the dominant service. However, unfavourable international economic conditions in the early 1980s, the growing strains in the "government's budgetary position" around the same period, and the economic downturn of 1985 put further acquisitions on hold, and this was to have far-reaching consequences for the army. No one knew at that time how long the economic slowdown would last. An effective "freeze" was put on all planned purchases until the economy recovered. This pause gave the government time to review the overall strategic situation and with it, the MAF's PERISTA programme.

By this time, Vietnam's failure to completely control Cambodia made Malaysia realize that fears of a Vietnamese attack across Thailand and down the Malay peninsula were totally unfounded. What made the threat even less likely to materialize was the fact that the Soviet Union was economically overstretched and could not afford to underwrite any Vietnamese adventurism. This resulted in a strategic re-assessment by the Malaysian Government. It was decided that defence planning and the development of the MAF should not be threat-specific. Malaysia, therefore, moved away from a defence build-up targeted at a specific potential enemy to a more general capability/affordability defence planning posture once more. Thus, a number of ambitious projects under PERISTA — the principal ones being the acquisition of medium battle-tanks, additional air defence fighters, the Gong Kedak air base in Kelantan, and the combat training centre in Gemas — were all deferred to a later date.

In line with the move towards acquiring a general deterrence posture, the MAF

> shifted the basis for planning force-level requirements from a threat focus to the defence of national interests, which were defined in terms of the core-area (the territory of Malaysia); the immediate vicinity (which includes the Straits of Malacca, Straits of Singapore, the line of communication between Peninsular Malaysia and Sabah/

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Sarawak, the South China Sea, and the Andaman Islands); and the neighbouring countries.[13]

The operational concept of the MAF was thus based on that of deterrence and forward defence from around this time. This meant that, *ipso facto*, the RMN would be the service on which would fall the prime responsibility for defending Malaysia's core economic interests. The emphasis on the defence of "national interests" in the face of an economic recession was of particular significance. This was because the economic and "national interests" of Malaysia were, in more ways than one, tied up with the nation's maritime interests. Malaysia was one ASEAN state which showed an early appreciation of its potential offshore wealth, and in fact was already pumping oil from the South China Sea even before the 1982 UNCLOS.[13] In this sense, Malaysia's current build-up has a distinct link with its New Map, or *Peta Baru*, published in 1979 which laid down Malaysia's continental shelf boundaries, and which forms the basis of Malaysia's maritime claims. The Malaysian navy has therefore undergone fairly consistent, but far from rapid, development since the 1970s. This is reflected by the fact that despite the land orientation of the 1979–84 PERISTA programme, the RMN's personnel doubled in number during this period. Therefore, in the absence of any land-based threat in the early 1990s, and with the funds to pay for it, Malaysia accepted, in the words of Prime Minister Mahathir Mohamad, "the need to defend our seas and territories with all our strength we are capable of".[15]

A second factor which undermined army dominance was the December 1989 truce between Malaysia and the CPM, officially marking the end of the communist insurgency. The truce meant that the Malaysian army had lost one of its primary roles, that of maintaining the integrity of the regime against communist subversion. The army had been the jewel in the defence crown because of the communist insurgency, and it would still have been the jewel in the crown had the Vietnamese threat materialized, but these two threats to Malaysia no longer existed. All these circumstances therefore made it appear that the Malaysian army was no longer the most relevant and important service in Malaysian defence planning. The army had expanded rapidly from about 53,000 in the early 1970s to more than 100,000 by 1989. Its numbers had been bloated by the sudden influx of recruits under the PERISTA programme. But in 1989, for the first time in its post-independence history, Malaysia decided to cut the strength of the standing army, from a high of 110,000 to 90,000 by the year 2000.[16]

The end of the Cold War, symbolized by the break-up of the Soviet Union in 1991, appeared to be the final blow for the army. The end of strategic bipolarity meant that the regional order became paradoxically

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less predictable in Southeast Asia, especially after the withdrawal of the United States from the Philippines in 1991. With the departure of the U.S. Navy from Subic Bay, coupled with more assertive Chinese action in the Spratlys area of the South China Sea, Malaysia realized that it had to give priority to maritime defence.[17] The new arena of regional tension was now the sea. All these factors combined to shift the Malaysian Government's attention away from conventional land forces. The order of the day was external defence, particularly maritime defence and resource protection. The disputes in the Spratlys, to which Malaysia is a party, seemed to emphasize the need for maritime forces.

The army was at that point in time relatively poorly positioned to deal with the strategic re-assessment for a variety of reasons. The first was that with the end of the insurgency, its importance to the regime was not as great as previously. The government could also afford to temporarily ignore the army because it was not beholden to it — the army was not king-maker. For the first time, too, the navy's capital expenditure allocation in 1983 was more than that of the army's. This situation continued until 1987. In addition, the army was relatively "low-tech" at that time, and the technologically more sophisticated navy and air force seemed more appropriate as vehicles for acquiring new technology to advance Malaysia as an industrialized nation by the year 2020, in line with Prime Minister Mahathir Mohamad's *Vision 2020*, enunciated in 1991.[18]

At one point, it appeared that nothing would stand in the way of the navy from becoming the premier service. The army was groping for a meaningful role after the end of the communist insurgency, the government was increasingly sensitive to the fact that future threats to Malaysia would be maritime in nature, and the RMN seemed to be the only service capable of dealing with the new emerging strategic environment. In addition, there were valuable resources for the navy to look after in Malaysia's EEZ. The doctrinal switch from counter-insurgency warfare to maritime defence was explicitly spelt out by the then Chief of Armed Forces, General Hashim Mohamed Ali, in 1989. He pointed out that the need to defend Malaysia's maritime regime had highlighted the "importance of the air force and navy".[19] The RMN, therefore, seemed well-placed to be the front-line service and looked forward to acquiring all the ships and equipment it needed. But the situation took an interesting turn as a result of the 1988 Memorandum of Understanding (MoU) with Britain to purchase £1 billion worth of military equipment.

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The 1988 MoU with Britain

When the Malaysian economy began to expand rapidly again after 1986, it was decided that the MAF's stalled modernization programme should be reactivated. For Malaysia, force modernization and the need to acquire the capability for resource protection and claims enforcement have been among the more important reasons for its defence acquisitions since the mid-1980s. Another equally important reason was the fact that the Malaysian Government — like all governments in the region — probably felt that it would not be altogether wise to overlook the institutional needs and desires of its armed forces. The MAF had its PERISTA programme suddenly trimmed in 1984. Between 1985 and 1988 none of the three services received any major allocations for capital expenditure. Thus, when the Malaysian economy improved, it was expedient to ensure that the institutional "needs" of the MAF were met. The MAF has so far proved to be very apolitical. This is the result of its British heritage, and because it did not acquire a sense of political entitlement in an armed struggle for independence. But while it might not be able to exert the kind of direct pressure that the Thai military or even the Philippine Armed Forces have been able to, it must be pointed out that "buying" the loyalty of the military by catering to its institutional needs is a fact of life in almost every ASEAN country. This could well be an important consideration behind the 1988 Memorandum of Understanding with Britain.

Traditionally, capital equipment for the MAF was acquired through the usual process of developmental budgetary planning embodied in the five-year Malaysia Plans. However, a decision was reached with the United Kingdom in 1988 under which the MAF would explore the possibilities of acquiring up to £1 billion worth of hardware from the British defence industry, independent of the Fifth Malaysia Plan (1986–90). A large part of the money to finance the majority of the purchases under the MoU was allocated under the Sixth Malaysia Plan. (A total of RM6 billion was allocated for the modernization of the MAF under the Sixth Malaysia Plan covering 1991 to 1995. Out of this sum, RM4.8 billion was set aside for the 1988 MoU.)[20]

The 1988 MoU can, in many ways, be regarded as a unique arms acquisition exercise for the MAF. Coming immediately after the MAF's strategic re-assessment of the mid-1980s, and with the end of the Cold War well in sight, the 1988 MoU meant that the MAF was almost literally handed a blank sheet of paper with which to list down its requirements for its next generation of equipment. Obviously, PERISTA was no longer strategically relevant. In this sense, the shopping list eventually submitted by the three services under the £1 billion 1988

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MoU captures the MAF's shift away from land-based defence to a more flexible conventional doctrine, with a marked emphasis on the maritime aspect. The biggest problem with the MoU, from the point of view of the MAF, was that the British defence industry was unable to meet all its requirements. The 1988 MoU was, as the term implied, just an expression of intent. Nevertheless, the Malaysian Government decided to stick to the spirit of the MoU, and the MAF was ordered to work largely within the framework of the MoU. The 1988 MoU was the subject of some controversy and argument with regard to whether it was a good or optimal deal for the MAF. However, it at least gave the MAF the chance to redesign its force structure. From an analytical point of view, the MoU is important because it contained within it all the elements of Malaysia's strategic reassessment.

It was decided that the largest share of the special defence budget, of which the 1988 MoU constituted the largest portion, should go to the navy and the air force.[20] In terms of actual allocation, a major part went to the RMAF. This was because the RMAF fleet was sorely in need of upgrades. The only combat aircraft it had in 1990 were approximately seventeen F-5Es, survivors of the twenty ordered in 1972 and 1980. The thirty-three or so refurbished A-4PTMs were plagued with mechanical failures, and were grounded a number of times after five consecutive crashes between 1985 and 1988.[22] Thus, there was an urgent need to purchase new aircraft for the RMAF.

While the RMN and RMAF were doing their best to fill their wish lists from equipment provided by the British arms industry, the army obtained hardly anything initially. It obtained only seven FH-70 155mm guns from the U.K., and a battery of eight Oerlikon Buhrle twin 35mm GDF anti-aircraft guns from Switzerland, using leftover funds from its Fifth Malaysia Plan allocation.[23] The navy expected great things from the MoU. The RMN wanted submarines more than anything else for its strategy of forward defence and deterrence, but the British had not been producing or operating conventional submarines for quite some time. After toying with the idea of purchasing two ex-Royal Navy boats (one Oberon-class boat and one Porpoise-class), the RMN called off the deal because of the lack of an after-sales package.[24] The navy therefore attempted to turn to other sources, and was on the verge of obtaining two ex-Swedish Navy Draken-class boats and two new Kockums boats from Sweden when the deal fell through in May 1991 because of limited funds.[25] The RMN was finally forced to settle for two U.K.-built Yarrow frigates, with a £400 million contract signed in March 1992, as well as sixteen ex-U.K. Navy Wasp helicopters for its air wing.

The RMAF at that point in time appeared to suffer the same fate. It

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was initially decided that twelve Panavia Tornados would be purchased under the MoU for the RMAF. The number was subsequently revised to eight, before finally being cancelled in 1990 for cost reasons.[26] It is important to note that at this time the principle was established that the main roles of the RMAF's new fighters would be "air defence and *defence of the maritime regime*" (author's emphasis).[27] The government therefore ordered ten BAe Hawk 100s and eighteen BAe Hawk 200s trainer/attack aircraft based on the Hawk trainer airframe in December 1990 in a RM1.2 billion deal as an interim measure. The purchase of dedicated fighter aircraft was just a matter of time. In addition, a contract was signed for a GEC-Marconi Martello 3-D air defence system in 1990 to modernize and upgrade the Malaysian Air Defence Ground Environment (MADGE) system.

It was at this point in 1990 that the air force suddenly came to occupy centre-stage. It was made very clear during the purchase of the Hawks that these aircraft were also meant to be lead-in trainers for Malaysia's next-generation F-5E replacement. Thus, the field was again open for non-British aircraft manufacturers. In 1991, Prime Minister Mahathir Mohamad announced that Malaysia would spend RM8.4 billion over and above the £1 billion MoU package to upgrade Malaysia's "defence requirements" over the Sixth Malaysia Plan period (1991–95). While RM2.1 billion would be spent on the Police Force, the MAF would receive RM6 billion, with the remainder going to other security agencies. The RM8.4 billion allocation represented a 230 per cent increase on defence spending, compared with the Fifth Malaysia Plan allocation. One priority would be to acquire a new generation fighter for the RMAF. This announcement re-opened the contest to sell Malaysia its next generation fighter, with the United States, France and Russia making bids. The eventual deal announced in 1993 split the purchase between Russia and the United States, with an order for eighteen MiG-29s and eight McDonnell Douglas F/A-18Ds.[28] The decision to purchase a new generation of fighters was partly the result of the realization, especially after 1991, that an RMAF essentially geared towards supporting the army in a CIW role no longer made sense. The then Defence Minister Najib Tun Abdul Razak, in announcing the purchase of the MiGs and Hornets, noted that the RMAF had been "playing a supporting role to the army" since its inception. The Gulf War, however, demonstrated the "deterrent effect" of air power and, as such, "Malaysia was emphasising on developing the RMAF".[29] The RMAF's primary role was no longer to merely support the army. It was to take maritime-oriented roles, such as maritime surveillance, more seriously. To this end, the RMAF took delivery of four King Air B200Ts for the maritime patrol role in May 1994.

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The Army Takes Off Again

It has already been noted that Malaysia's current defence modernization has a strong conventional maritime bias. The army's pre-eminence was derailed by the paradigm shift in Malaysia's security imperatives in the 1980s. However, the army was not prepared to take things lying down. While it was initially taken off balance by the turn of events, the army recovered rapidly. At first, it was a little at a loss as to what to do. The army tried to play a socio-economic role by introducing the "Tentera Masuk Desa" ("army helping the rural folk" or "army goes rural") programme in which soldiers would provide skilled labour for state governments and agencies.[30] However, the army soon downgraded this "pioneer corps" concept as its *raison d'etre* because of the role's limited scope and appeal, and the fact that it would not take the army very far in its fight for funding. The army therefore vigorously re-examined both its role and doctrine. It decided that to remain relevant, it had to change to suit the new strategic circumstances. It had therefore to acquire the capability to deal with the increasingly uncertain regional order. A conventional role seemed the only way out.

In this, the exigencies of contingency planning helped the army on the road to re-establishing itself as the *primus inter pares*. Malaysia still needed powerful land forces to deal with a variety of threats. One extreme scenario was a conventional attack across the Malaysia-Singapore causeway by the Singapore Armed Forces. But a conventional army designed purely for the static defence of Malaysia would still leave the initiative with the navy and its self-appointed task of being the nation's first line of defence. To be relevant, the army needed the capability to influence events under a variety of circumstances. Thus, although the seeds of conventional warfare doctrine had been sown during the Vietnam scare era, the army had to break away from the defensive warfare mind-set engendered as a result of both the Vietnam scare and the perceived need to deal with a pre-emptive strike from the south. The army had to evolve a role and a doctrine that gave it equal status and relevance to the RMN in the new strategic era. Strategic uncertainty would not benefit the RMN alone. The army could also exploit the window of opportunity for itself. Thus, the latter decided to capitalize on the Rapid Deployment Force concept.

There were three sound reasons for seizing on the RDF concept. First, the notion of a Rapid Deployment Force tied in very well with the strategic uncertainties which followed in the wake of the Cold War. Secondly, the ability to deploy forces rapidly to Sabah and Sarawak was also seen as important for dealing with any secessionist tendencies there.[31] The army, therefore, adopted the Rapid Deployment Force concept, putting it within the framework of contingency planning in an

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era of strategic uncertainty. Indeed, contingency planning based on a force-in-being to deal with a whole range of situations, has been constantly emphasized by army planners, especially since 1993.[32] The clincher was the need for peacekeeping forces, following the outbreak of violence in countries such as Somalia and Bosnia. The United Nations' requirement for peacekeeping troops was very timely for the Malaysian army, and one suspects that this was a major reason why Malaysia has been actively engaged in peacekeeping operations. Even more importantly, the MAF's peacekeeping role tied in very well with Prime Minister Mahathir Mohamad's foreign policy, which required Malaysia to maintain a very high international profile. Malaysia's international peacekeeping role was one way of demonstrating international leadership. It was not gunboat diplomacy that would put Malaysia in the news, but peacekeeping diplomacy on land. Thus, the army became an important instrument of foreign policy.[33]

The need to support MAF peacekeeping contingents overseas, in fact, has been described as the reason for Malaysia's purchase in 1995 of an ex-U.S. Navy landing ship tank and five new Lockheed Martin C-130H-30 transport aircraft.[34] The army has embraced the peacekeeping role so tightly that it intends to set up a dedicated peacekeeping centre, the first in Southeast Asia. Malaysia's high profile foreign policy, and the army's quest for a new and meaningful role, has therefore seen physical expression in the form of the RDF and peacekeeping forces. It has also resulted in the elevation of the army once more to the first rank. Peacekeeping is essentially a task for ground forces, and the RMN and RMAF have only supporting roles to play. That the RDF concept requires huge amounts of assets, such as organic air assets, long-range transport, and supporting arms such as armour and artillery, has not deterred the army from adopting the RDF concept with fervour.

Significantly, it appears that the army plans to move beyond the RDF concept to become a modern, all-arms force. The army began mentioning the need for tanks, armour, and better mobility in 1989. It recognized that it had no choice but to adapt to conventional warfare as well as, if not better than, the other two services. Thus, the army made the need for a "balanced, all-arms force" a rallying cry. In a significant document outlining the future of the Malaysian army, its serving chief, General Che Mohamed Noor bin Mat Arshad, pointed out that the force structure and capabilities of the army called for three fundamentals:[35]

1. Rapid response (a force capable of reacting swiftly);
2. Wide range of options (a force-in-being capable of providing the nation with a wide range of options for deployment in any contingency); and

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3. Interoperability (the capability to work with the navy and air force as a co-ordinated joint force).

The army had to be restructured from an infantry-heavy force to a combined arms model to make it a "balanced force". The stress on the need for balance is indeed significant, with the army often arguing that a new balance must be struck between it and the other two services.[36] As such, the army has been able to make the transition, at least conceptually, from a CIW doctrine to one embracing modern conventional warfare. More importantly, it has been able to persuade its political masters that it is still highly relevant, and still the most important, service. Unsurprisingly, therefore, the army finally too, benefited from the 1988 MoU with the U.K. It obtained, at least in principle, British expertise for the construction of two huge training complexes near the towns of Gemas and Mersing in Peninsular Malaysia. It is expected that under the Seventh Malaysia Plan Mersing will become the home of the Malaysian Special Forces, while Gemas will be the main combined arms training centre for the army.[37]

The army's new doctrine received the official stamp of approval with the presence of Prime Minister Mahathir Mohamad at the first public display put on by the Rapid Deployment Force in Langkawi Island on 10 October 1994. In an airborne assault, the RDF "retook" the island off the west coast of northern Peninsular Malaysia from "enemy" forces. The mock attack on the island by the brigade-sized RDF took place six years after the concept was adopted by the Malaysian army. The RDF role requires that the army acquire "modern infantry equipment, greater firepower and mobility in the form of mechanised infantry, armour and artillery".[38] Compared with the very basic equipment requirements of counter-insurgency warfare, the army has to become a more technical service. A very different Malaysian army will therefore emerge in the future. The "new army" will be an all-arms force with, if the MAF gets its way, a fairly basic power-projection capability to handle middle-intensity threats.[39]

A rather grandiosely named Strategic Airlift Command (SAC) was set up by the RMAF towards the end of 1995 to handle RDF troop deployments. Five C-130-H30 Hercules form the nucleus of the SAC, under the control of the 20th Squadron at the RMAF Subang base. As an indication of things to come, an army Air Corps was established in March 1995 to give the army more battlefield firepower. Ten ex-RMAF Alouette helicopters as well as the Kluang air base were handed over by the RMAF to the army to start off the Air Corps. The "new army" also plans to acquire main battle tanks, new armoured personnel carriers, attack helicopters, and short and medium-range missiles. All this equipment is not meant only for the RDF; but for the army's proposed

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mechanized and armoured brigade. Approval has been given in principle for the army to acquire up to 300 MBTs.

The RMN: On The Horns of a Dilemma

The RMN has managed to chart an independent course by exploiting the niche that the creation of the Malaysian Federation and the 1982 UNCLOS gave it. These two events made it necessary for Malaysia to have forces capable of protecting Malaysia's maritime resources and safeguarding the nation's maritime interests. As a consequence, the RMN has been operationally more preoccupied with resource protection than defence in the last two decades or more. While resource protection is a very important and relevant role, it has not been sufficient to turn the navy into the decisive arm of the MAF. Today's strategic uncertainty has certainly enhanced the importance of the navy, but it is difficult to envisage that regional stability will deteriorate to the extent that Malaysia will give priority to the war-fighting role of the RMN. To make the RMN a decisive arm in regional affairs will mean pumping huge amounts of resources to upgrade the navy in terms of size and manpower. Certainly, that is an option that Malaysia cannot afford. The RMN will of course have great utility as an instrument of foreign policy, showing the flag, establishing a regional presence and helping to further Malaysia's international ambitions in peacekeeping and other related areas. Sea-lane security, securing the two halves of Malaysia and protecting Malaysia's increasingly important maritime resources will of course still be of great importance. However, these roles will not give the RMN priority over a re-vitalized army. It is unlikely that the RMN can become the decisive arm in Malaysian defence. That role still belongs to the army.

It must be noted that the RMN did attempt to be Malaysia's first line of defence. That role was outlined by former RMN chief Vice-Admiral Abdul Wahab Nawi in his development plan for the navy to the year 2010. In 1990, he noted that "forward defence" would underpin RMN strategy, and that the RMN's aim was to be able to engage any adversary before it could penetrate Malaysia's EEZ. The RMN's main weapon in its forward defence strategy was envisaged to be a flotilla of submarines.[40] Five years down the road, the RMN has yet to acquire any submarines, although not for want of trying. The RMN's failure thus far in acquiring submarines is a reflection of the dilemma facing the RMN. It has to balance its resource protection role against its warfighting role, primarily because Malaysia cannot afford both. Up to this point, it would seem that the RMN is being forced to give greater weightage to its resource protection role. This is because Malaysia's

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maritime sector is seen to have great potential, and there are real problems and low-level threats in Malaysia's sea areas to be addressed. These threats include illegal foreign fishing, illegal migration, the need to secure and protect gas and oil fields located in Malaysia's EEZ and boundary problems with all of Malaysia's maritime neighbours.

This "coast guard" emphasis arguably prevents the RMN from developing into a blue-water navy in the classic sense of the term, simply because the requirements of resource protection are quite different from that of a dedicated war-fighting, blue-water navy. This, of course, is not a situation peculiar to the RMN. Some navies, in fact, are quite happy with the resource protection role because it ensures funding at a time when cutbacks are the order of the day. Nevertheless, the constabulary role does hamper the RMN from developing into a premier service. As a constabulary force, its importance is primarily economic, while its strategic value is arguably secondary. The Malaysian Government has made it clear that it cannot afford to pay equal emphasis to both the constabulary and warfighting roles. Malaysian Defence Minister Datuk Syed Hamid Albar, commenting on the issue of submarines for the RMN, said that while the navy had "a large platform of responsibility ... we still have to look at whether the Government can afford them".[41] While acknowledging the strategic need to purchase submarines, this would most likely happen only after the navy had "completed our development for the surface ships..."[42] It is therefore very clear that the RMN, whether it wants to or not, will be concentrating on the resource protection role in the near future. This is reflected in the decision to purchase 27 OPVs, while the submarine programme has been put on hold. The New Generation Offshore Patrol Vessel (NGOPV) project is expected to cost RM5 billion over a fifteen-year period — a hefty sum.[43] While the army is quite certain that it will obtain the Gemas and Mersing training bases under the Seventh Malaysia Plan, the navy's plans for a major East Malaysian base at Sepangar Bay, 20 kilometres from Kota Kinabalu, appears to have suffered a temporary setback. Malaysian Defence Minister Datuk Syed Hamid Syed Albar officially denied in the middle of 1995 that there were any plans to develop a naval base there.[44] The emphasis on upgrading the surface capability of the RMN by acquiring larger, longer-legged vessels suitable for long-range patrols is also seen in the decision to purchase from Italy two of the four Fincantieri-built Assad-class missile corvettes that were ordered by Iraq in 1981, but never delivered because of the Gulf War. The Malaysian-Italian agreement for the corvettes, signed in Kuala Lumpur in October 1995, caught many observers by surprise. This acquisition must be seen as an attempt to give the RMN a better capability to carry out its resource protection role rather than its

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warfighting role, since the RMN considers the submarine to be its preferred battle tool.

Thus, at this point in time, it is difficult to envisage the RMN as providing Malaysia's first line of defence, and taking over the position of premier service from the army. Apart from the lack of equipment for this task, the fact remains that Malaysia shares common land borders with at least three of its ASEAN neighbours. While Malaysia has maritime boundaries with all its ASEAN partners, it can be argued that it is the land borders which are the greater source of concern. Moreover, the role of the MAF, and more specifically the army, in underpinning regime stability is still of great consequence. In retrospect, the RMN thought that it could displace the army as the premier service in the late 1980s. However, that moment has passed. The navy has perhaps realized that its best bet is to concentrate on being a constabulary force. It has little hope in the near term of becoming the decisive service. The Revolution in Military Affairs does not apply to the RMN.

Conclusion

It must be noted that short-lived though the challenge by the RMN might have been, the consequences are potentially very far-reaching. This is because the army can no longer take its pre-eminent position for granted. For the first time, it was forced to respond to a challenge from another service. The changing strategic environment was also noted by the politicians, who came to recognize that all three services had important synergistic roles to play in Malaysia's foreign and defence policies. Thus, former Defence Minister Najib Tun Abdul Razak observed in February of 1994 that future armed forces chiefs could be from the navy or the air force. The post had traditionally been tacitly reserved for the army, and in particular officers from the Royal Malay Regiment. He noted that in the past it had "been the practice to choose the forces chief from the army because our focus was to wipe out the communist terrorist threat", but the needs of conventional warfare called for a combined-arms approach. The then RMN chief, Vice-Admiral Shariff Ishak, took the opportunity to suggest rotating the post among the services, and pointed out that the armed forces chiefs of New Zealand, Australia, Taiwan, Japan, France and Italy were all former navy chiefs. "The army can no longer be considered more senior to the other services", he tartly commented.[45]

The army promptly launched a counter-offensive, with the then outgoing armed forces chief General Borhan Ahmad arguing that since Malaysia's defence strategy was land-based, only an army man could be an effective Chief of Defence Forces, since the commander had to be

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thoroughly conversant with land defence strategy. While the present system of training in the army incorporated both air and naval aspects, air force and navy training did not include a land defence strategy.[46] This prompted a reply from Admiral Shariff who maintained that the post of the Chief of the Defence Forces could no longer be regarded as the exclusive preserve of the army. The whole debate is significant in that the navy and the air force were, for the first time, thinking the unthinkable. The first challenge to the army's pre-eminence had been mounted by the RMN, and although the challenge has been thwarted, it can be considered to be the thin end of the wedge. The debate over who qualifies to be the chief of the Malaysian Armed Forces arguably marks the beginning of the end of total army dominance of the post, and it is only a matter of time before a navy or air force chief takes over the position.

While the importance accorded to the army was because of the communist threat, the navy was given the task of looking after Malaysia's maritime assets. Thus, the navy had a unique role which enabled it to adopt its own world-view, and to chart its somewhat independent course. That role was circumscribed by the fact that the navy's role was seen primarily as resource protection. But it was a role that nevertheless allowed the navy independence, unlike the air force. The RMN will therefore continue to be an important and powerful service, because there are sound reasons for its existence. Thus, the RMN will never give up its resource protection or coast guard role in the short and medium terms. This is because resource protection provides the navy with a very strong, basic plank or rationale for its continued existence. The new regional strategic environment has strengthened the position of the RMN considerably, giving it both a resource protection/security as well as a defence role. Nevertheless, it would appear that the army is still the most significant service from a political point of view. At the same time, it is able to serve Malaysia's foreign policy interests admirably for the immediate future. As such, the RMN's challenge has been blunted, and it appears that the navy will be concentrating on resource protection in the medium term. The future, however, could well see the RMN leading another challenge.

The RMAF, on the other hand, has never been able to challenge the army at all. In fact, it has played a supporting role during its entire existence. The air force was initially a transport force, and a logistics support force for the army. Even at the height of the Vietnamese scare, the RMAF's primary role was to provide close air support for the army. The RMAF is finally getting its own independent role in the air defence of Malaysia, but it seems that one primary role will be to support the RMN in maritime operations, as well as to support the RDF. Thus,

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while the RMAF might have taken on more of a combat role, it is still essentially a supporting service.

The army found that its counter-insurgency capability was not enough to ensure its primacy in the scheme of things. To therefore successfully stave off the naval challenge, the army has embraced the conventional warfare role with great ardour. This inter-service tension and rivalry for the pre-eminent role in Malaysian defence planning has helped push along not only the modernization of the Malaysian Armed Forces, but has accentuated its adoption of conventional warfare doctrines. It has set, and will continue to set, the tone and course of the modernization of the MAF from the late 1980s. It could also have significant implications for the region. The long-term result of this emphasis on maritime and conventional operations will be that the MAF will acquire a new degree of regional power-projection capability.

NOTES

1. David Hawkins, *The Defence of Malaysia and Singapore from AMDA to ANZUK* (London: The Royal United Services Institute, 1972), p. 16.
2. Abdul Razak Abdullah Baginda, "Malaysian Armed Forces in the 1990s", *International Defense Review* 4 (1992): 305.
3. One writer noted that the "Royal Malaysian armed forces are still based on the Royal Malay Regiment which began as a company of Malay soldiers on 1 March 1933, fought in two battalion units on the island of Singapore in 1942, and constituted the cornerstone of future Malaysian armies after the war". Col. John M. Fitzgerald, "The Armed Forces of the Asia-Pacific Region No. 9 — Malaysia: Defence in Transition", *Pacific Defence Reporter* (March 1984), p. 23.
4. Singapore was part of the Federation only until 1965. Whether Singapore was expelled from the Federation or left of its own accord in 1965 is still unclear.
5. See Harold James and Denis Sheil-Small, *The Undeclared War* (London: New English Library, 1973), pp. 132–37.
6. General Dato' Che Mohd. Noor b. Mat Arshad, "Planning Malaysian Army for the Twenty-First Century" (Paper presented at the Conference on Land Forces in the Twenty-First Century: The Challenge for the Malaysian and Regional Armies, Putra Jaya, Malaysia, 20–21 November 1995), p. 3.
7. The IADS is made up of Australian, Singaporean and Malaysian elements under an Australian commander. It survives today in truncated form.
8. The RAAF's No. 79 Squadron, operating *Mirages*, left Butterworth officially in April 1988.
9. A. Khalid, "The Making of an Air Force", *Asian Defence Journal* 6 (1983).
10. Donald E. Weatherbee, "ASEAN: Patterns of National and Regional Resilience", in *Asian-Pacific Security: Emerging Challenges and Responses*, edited by Young Whan Kihl and Lawrence E. Grinter (New Delhi: Archives Publishers, 1987), p. 203.
11. The Insurgency was officially over in 1960, but mopping up operations were conducted along the Malaysian-Thai border until December 1989, when a truce was signed between Malaysia and the Communist Party of Malaya. For details of the last stages of the CPM struggle in Peninsular Malaysia, see Richard Stubbs, "Peninsular

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Malaysia: The 'New Emergency' ", *Pacific Affairs* 50, no. 2 (Summer 1977); and Leonard C. Sebastian, "Ending an Armed Struggle Without Surrender: The Demise of the Communist Party of Malaya (1979–89) and the Aftermath", *Contemporary Southeast Asia* 13, no. 3 (December 1991).

12. Malaysia made public its EEZ Act in 1984.
13. Muthiah Alagappa, "Malaysia: From the Commonwealth Umbrella to Self-Reliance", in *Defence Spending in Southeast Asia*, edited by Chin Kin Wah (Singapore: Institute of Southeast Asian Studies, 1987), p. 189.
14. The first offshore oilfield was found along the Sarawak coast in 1962. In 1968, the West Lutong oilfield off Sarawak came on stream. By 1973, Malaysia had nineteen oilfields, nearly all of them offshore. See Lillian Foo and Bala Ramasamy, "A Macro-Economic Analysis of the Oil Industry in Malaysia", in *Oil And Economic Development*, edited by Sorab Sadri (Petaling Jaya: Forum Publications, 1991).
15. "Dr M: We have Decided on Types of Arms", *Business Times*, 21 March 1990.
16. "Malaysia: Planning for Change", *Jane's Defence Weekly*, 29 July 1989.
17. Commenting on the 1988 Sino-Vietnamese clash in the Spratlys in which the Chinese sank two Vietnamese ships, the then Armed Forces chief, Gen. Hashim Mohamed Ali, said that the MAF's defence priorities in the South China Sea changed from "secondary to very much top priority". See "Malaysia: Preparing for Change", the JDW Interview, *Jane's Defence Weekly*, 29 July 1989.
18. Mahathir Mohamad, "Malaysia: The Way Forward" (Paper presented at the inaugural meeting of the Malaysian Business Council, Kuala Lumpur, 28 February 1991).
19. "Malaysia: Preparing for Change", op cit.
20. "Working Towards a Leaner and Meaner Force", *New Straits Times*, 29 October 1991.
21. At the same time, one suspects that the high-technology requirements of the RMN and RMAF tied in very well with Prime Minister Mahathir's ambition to push Malaysia into the realm of advanced industrialized nations.
22. "No Pilot Error", *Star*, 5 May 1989.
23. "European Arms Boost Malaysian Forces", *Jane's Defence Weekly*, 1 March 1989.
24. "Egypt Set To Buy Walrus, Oberon", *Jane's Defence Weekly*, 6 May 1989.
25. "Shelved: Plan To Buy 4 Submarines", *New Straits Times*, 17 May 1991. The deal was almost clinched, to the extent that the then Defence Minister, Najib Tun Razak, made a public announcement that the Malaysian Government had approved a plan for the RMN to buy the four boats at a cost of US$372 million, spread over ten years. See "Malaysian Order for Kockums", *Jane's Defence Weekly*, 22 December 1990.
26. "Malaysia Cools on Tornado Offer", *Jane's Defence Weekly*, 26 May 1990.
27. "Malaysia: Preparing for Change", *Jane's Defence Weekly*, 29 July 1989.
28. The MiG-29 purchase is an interesting saga. For details of the complexities of the deal, see "Malaysian MiG Sale is Coup for Russia", *International Defense Review* 27, no. 5 (May 1994).
29. "Najib: Deterrence is Cornerstone of Malaysia's Defence Doctrine", *New Straits Times*, 13 July 1993.
30. "Army Planning Public Projects", *New Straits Times*, 2 March 1992.
31. For instance, Mark Koding, a former leader of the Sabah party, the Parti Bersatu Sabah (PBS), alleged in 1993 that the PBS leadership had planned to turn Pulau Balambangan, north of Kudat in Sabah, into a military training centre for potential secessionists as part of the party's move to pull Sabah out of Malaysia. "Koding's Allegation Baseless, Says PBS Official", *New Straits Times*, 27 May 1993. Secession, however, appears increasingly unlikely as the Federal Government tightens its hold on Sabah.

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32. The present army chief, Gen. Che Mohd. Noor bin Mat Arshad, said in a paper in November 1995, that because "there is no clear-cut military threat, the Malaysian Army must be able to respond to a wide spectrum of contingencies": Gen. Dato' Che Mohd. Noor bin Mat Arshad, op. cit., p. 14. In a similar vein, former Defence Minister Najib Tun Abdul Razak said in July 1993 that "deterrence is the best posture (for Malaysia) to adopt given the strategic uncertainties in the region and beyond...": "Najib: Deterrence is Cornerstone of Malaysia's Defence Doctrine", *New Straits Times*, 13 July 1993.
33. Deputy Prime Minister Anwar Ibrahim reportedly commented that "the Armed Forces' participation in regional and international military activity, particularly under the auspices of the United Nations peacekeeping forces, is a new tradition [*sic*] which needs to be expanded" and that "the credibility and ability of the Malaysian Armed Forces has been acknowledged not only locally, but also regionally and internationally". "Military capability will be developed: Anwar", *Business Times*, 27 June 1995. Interestingly, former Defence Minister Najib Tun Abdul Razak attributed one reason for the purchase of the MiG-29 to Malaysia's peacekeeping role. He was quoted by the *New Straits Times* as saying that as "Malaysia was playing an increasing peace-keeping role in the United Nations (peacekeeping) missions and as it progressed it was only a natural process for it to have better aircraft". "RMAF's MiG-29N the most advanced", *New Straits Times*, 29 April 1995.
34. Robert Karniol, "Country Briefing: Malaysia", *Jane's Defence Weekly*, 25 November 1995, p. 25.
35. Gen. Che Mohamed Noor bin Mat Arshad, op. cit., p. 15.
36. In 1994, the outgoing Defence Forces chief, Gen. Tan Sri Abdul Rahman Abdul Hamid, said the army should be equipped with "modern hightech equipment to balance up its capabilities with the Royal Malaysian Navy and Royal Malaysian Air Force". "Army needs to be equipped with high-tech weaponry", *Business Times* (Kuala Lumpur), 1 February 1994. His successor, Gen. Tan Sri Borhan Ahmad, carried on with the theme for balanced growth between the three services. He was quoted as saying then that "to have a good defence system, there should be a balanced development among the army, navy and air force" in his inaugural address to senior MAF officers at the Defence Ministry in Kuala Lumpur. *New Straits Times*, 3 February 1994.
37. Gen. Che Mohd. Noor bin Mat Arshad, op. cit., p. 16.
38. Ibid.
39. "Country Briefing: Malaysia", *Jane's Defence Weekly*, 25 November 1995, p. 25.
40. J. N. Mak, "The Royal Malaysian Navy in a Changing Maritime World: The Challenges Ahead", *Naval Forces* 11, no. 3 (1990).
41. "New Command for Rapid Troop Deployment", *New Straits Times*, 14 November 1995.
42. Ibid.
43. "RM5b patrol boat contract next year", *Sun*, 10 December 1995.
44. "No Plans for Naval Base, says Minister", *Star*, 14 July 1995.
45. "Top Armed Forces Post In For Change", *New Straits Times*, 19 September 1994.
46. "Defence Chief: Army Man Most Suited for Top Post", *New Strait Times*, 30 January 1995.

J. N. Mak is the Director of Research with the Maritime Institute of Malaysia, Kuala Lumpur.

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Myanmar's Role in Regional Security: Pawn or Pivot?

J. MOHAN MALIK

Myanmar's potential wealth, as well as its natural and human resources and geostrategic location between South Asia and Southeast Asia, suggest that it has the potential to be a major Southeast Asian player. This article seeks to answer some key questions. Does Myanmar have what it takes to be a regional player? More importantly, will it be allowed to do so by its powerful northern neighbour, China, the next superpower? ASEAN, Japan and India are now giving high priority to improving security, diplomatic, and economic relations with Myanmar in order to minimize the growing power and influence of China in that country. However, this article argues that the present and future Myanmar leaders would find it very difficult to withdraw completely from China's sphere of influence. Nor would the Chinese Government allow them to do so because Myanmar has assumed an important place in China's grand strategy for the twenty-first century.

Myanmar has come to occupy centre stage in Asian strategic concerns since the early 1990s. A series of developments, both internal and external, has caused concern about the long-term stability, security, and independence of mainland Southeast Asia's largest country. Myanmar, with an area of some 678,500 square kilometres and a population of 45 million, lies at the juncture of three regions within Asia — East Asia, Southeast Asia, and South Asia. It occupies a critical geostrategic position between the two Asian giants, China and India. It also shares borders with Bangladesh, an Islamic state, in the west, and with Thailand and Laos in the east. It has a substantial coastline along

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the Bay of Bengal and the Andaman Sea, which provides access to the Indian Ocean. It is located in a region which has experienced tremendous economic growth over the past two decades.

Myanmar's potential wealth, as well as its natural and human resources, and geostrategic location between South Asia and Southeast Asia, suggest that it has the *potential* to be a major Southeast Asian player. However, Myanmar today cuts a sorry figure. Internally, it is a divided nation. Externally, it is ostracized and treated as a pariah because of the military regime's systematic, brutal oppression of its people, and involvement in the narcotics trade. To make matters worse, the military junta has abandoned the traditional policy of political equidistance between China and India, and is seen as becoming a puppet of China as well as a base for future Chinese military operations, thus upsetting the regional balance of power.

Several observers have examined the factors underlying changes in Myanmar's relations with China and their implications for regional security.[1] This article seeks to answer three key questions: What will it take to transform Myanmar from a pawn to a pivot?[2] Does Myanmar have what it takes to be a regional player? More importantly, will it be allowed to do so by its powerful northern neighbour, China, which is often touted as the next superpower?

In a recent article, Andrew Selth offers an optimistic view. He suggests that Myanmar can successfully manage its relations with its two largest neighbours, and that the regional security outlook might not be quite as uncertain or unstable as some observers have suggested.[3] He believes that the current Myanmar leaders have played a dangerous but clever game. He argues, however, that they are now ready to welcome countervailing overtures from India and the Association of Southeast Asian Nations (ASEAN).[4] India and ASEAN are now giving higher priority to improving security, diplomatic, and economic relations with Myanmar in order to minimize the growing power and influence of China in that country. This development is seen by Myanmar-watchers as being in the best interests of Myanmar, ASEAN, Japan, and India, and as an essentially stabilizing factor in the region. But there is reason to believe that the present and future Myanmar leaders would find it very difficult to withdraw completely from China's sphere of influence. Nor would the Chinese Government allow them to do so because Myanmar now occupies the same place in China's calculus of deterrence in South and Southeast Asia that Pakistan does in South and Southwest Asia.

This article examines the dilemmas and challenges facing Myanmar by analysing its fast changing relations with China, India, and ASEAN. It also offers a prognosis of Myanmar's policy options, given the

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country's place in China's grand strategy for the twenty-first century. It concludes with a pessimistic view of the prospects for Myanmar's transformation from a pawn in China's regional chess game into a pivotal player early in the next century.

Myanmar: Cockpit of Rivalry?

Though none of Myanmar's neighbours pose a security threat, the country suffers from centrifugal tendencies generated mostly by its different ethnic groups, which have obtained limited support mainly from China and Thailand in the past. Since independence in 1948, successive governments have battled around the country's periphery with multiple insurgencies and separatist movements based on ethnic identity. Not surprisingly, then, the sole preoccupation of the Myanmar armed forces, the *tatmadaw*, has been the maintenance of the country's territorial integrity against threats emanating from within rather than from without. Until recently, the isolationist policies pursued by the previous Ne Win regime helped to perpetuate Myanmar's status as a buffer state between India and China. Not any more. Since September 1988, when the military violently suppressed pro-democracy protests and killed many people (a precursor to the Tiananmen massacre in Beijing), the country has been run by the military's State Law and Order Restoration Council (SLORC), which effectively put an end to Myanmar's neutrality by moving closer to China. In 1990, the SLORC presided over an election in which the opposition National League for Democracy (NLD) won by a landslide but was never allowed to take office. Instead, the military junta placed the Myanmar opposition leader, Aung San Suu Kyi, under house arrest, and arrested thousands of NLD supporters and leaders. This sparked widespread condemnation of human rights abuses and pressure to restore the democratic process.

Faced with increasing international isolation and pressure following the suppression in 1990 of the democratic movement, the SLORC's position became even more critical. There were major concerns about maintaining political power, further domestic unrest, continuing ethnic insurgency, and a xenophobic fear of a possible United Nations-sanctioned military coalition action similar to Operation Desert Storm. The SLORC urgently needed foreign exchange, capital equipment, and technical expertise to prevent the collapse of its ailing economy, and it needed assistance in defeating ethnic insurgency.[5] At this point, Chinese interests conveniently synchronized with a range of the SLORC's major concerns and the military junta in Yangon moved to establish closer military and economic ties with the communist regime in Beijing

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which had found itself in a similar predicament following the Tiananmen massacre. Thus began Myanmar's slide into China's embrace.

China is reported to have so far supplied more than US$1.5 billion worth of arms to Myanmar, including fighter aircraft, radar equipment, patrol boats, heavy artillery, tanks, anti-aircraft missiles, guns, and ammunition.[6] Yangon has relied heavily on these weapons and equipment to end hostilities with insurgents in the border regions. Army strength increased by 50 per cent between 1988 and 1992. Most of the Chinese weaponry (including the Chinese-made HN5 anti-aircraft missiles) is now reportedly deployed on the Indo-Myanmar border.[7] The military regime has been spending more than 60 per cent of the central government's budget on the military at a time when ethnic insurgent activity is at its lowest level for many years. Myanmar-watchers argue that the SLORC has created a series of imagined external threats to secure the military's grip on power, to preserve the cohesion of the armed forces, and to provide the unity necessary for continued military rule.[8] During 1991–92, as many as 200,000 Rohingya Muslims from Myanmar's Arakan state fled over the border into neighbouring Bangladesh, claiming persecution by the *tatmadaw*. Thousands of refugees also poured into India and Thailand following the Myanmar military's stepped-up counter-insurgency (COIN) operations against Myanmar insurgents.

Myanmar's economic problems and international isolation has also led to an upsurge in opium production and cross-border smuggling. Indeed, many of the SLORC's peace agreements with ex-communist rebels, and other ethnic minorities in the northeastern border regions, seem to have allowed the former guerillas to remain active in the drug trade within the infamous Golden Triangle region across the Myanmar frontier with China, Thailand, and Laos. Critics claim that the SLORC's policies seem to have made drug money an integral part of Myanmar's economy.[9] The drug trade is apparently facilitated by corruption on both sides of the border despite the spectacularly cosmetic control exercises, drug burnings, and public executions. As Bertil Lintner, a veteran Myanmar-watcher, has noted: "The unprecedented heroin explosion in Myanmar's north and China's increasing political and economic influence over the entire country ... threatens the stability and social fabric of the entire region".[10] Drug money is reportedly used to finance military hardware purchases from China and elsewhere.

Although some of the Chinese arms supplied to the Myanmar military are almost obsolete, the purchases and troop build-up nonetheless represent a major boost to Myanmar's military capabilities, and thus have the potential to change the regional military balance of

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power. In addition, high ranking Myanmar *tatmadaw* and Chinese People's Liberation Army (PLA) officers have strengthened relations both at the personal and official levels. *Tatmadaw* personnel are also receiving advanced training from the PLA in China. Chinese Prime Minister Li Peng's visit to Myanmar in December 1994 was the capstone to his strategy of establishing closer ties with China's southern neighbour. It symbolized the new ideological affinity (read authoritarianism and free-market economy) that provided further impetus to partnership between two countries with long historical ties. The political implications of a Chinese nexus with Myanmar are not lost on its neighbours, who are especially wary of a military nexus and its impact upon the regional security environment.

From New Delhi's perspective, it was not the Myanmar military buildup in itself which caused concern, but the connection with the supplier. The growing military relationship between Beijing and Yangon not only marked the end of Myanmar's traditional non-aligned orientation, it also aroused Indian apprehensions.[11] It forced New Delhi, *for the first time*, to pay increasing attention to events across its eastern frontier with Myanmar. Reports of Beijing's involvement in the development of a Myanmar naval base at Hianggyi Island and a radar station at Coco Island, southwest of the Myanmar coast have introduced a whole new dimension to India's threat perceptions from a powerful neighbour. The new facilities are close to the Indian territories of the Andaman and Nicobar islands in the Bay of Bengal, and raise the spectre of possible military use by Beijing.[12] Furthermore, much to India's chagrin, its subcontinental arch-rival, Pakistan, has stepped in to provide military and diplomatic support to the SLORC and has joined China in protecting Myanmar from criticism in international fora.

China's inroads into Myanmar, when juxtaposed with its ties with Bangladesh and Pakistan's Myanmar connection, are, from New Delhi's perspective, serious encroachments into India's sphere of influence. Therefore, according to Indian strategists, China is now seen as constituting a threat in the north *as well as in the east.* As one analyst at the New Delhi-based Institute for Defence Studies & Analyses (IDSA) put it: "In dealing with China we have to consider what it is doing in the east rather than see it only as a northern threat".[13] Despite a thaw in Sino-Indian relations since the late 1980s, mutual suspicion and basic insecurities continue to bedevil the bilateral relationship. Of particular concern to New Delhi is the challenge China's growing economic and military power might pose for India's own aspirations for regional leadership. Given India's growing dependence on Persian Gulf oil, and the fact that 97 per cent of India's trade is carried by

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sea, the Chinese presence at India's doorstep could be a constant irritant.[14]

Chinese Shadow over Myanmar: Key Objectives

Relations between China and Myanmar have never been closer than they are today. Despite growing regional concern about Chinese intentions, Beijing's reluctance to clarify matters has further complicated the situation.[15] However, observers of Chinese and Myanmar affairs have attributed several motives to China's desire to expand its economic and strategic influence down to the Bay of Bengal. A major one, of course, is the desire by Chinese economic planners to open the old Burma Road to link up the poorer, inland provinces such as Yunnan, which have lagged behind the booming coastal provinces, with the fast growing economies of Southeast and South Asia.[16] China apparently also seeks an overland route through Myanmar to a port from which it can export cheap consumer goods to mainland Southeast Asia, India, and other developing countries farther afield.[17] Such an outlet would also reduce transport time for some of China's trade and would avoid the Malacca Strait choke point in the event of a conflict in the South China Sea.

The significance of the old Burma Road for economic growth was first outlined by a former vice-minister of communications, Pan Qi, in an article entitled "Opening to the Southwest: An Expert Opinion" in *Beijing Review* of 2 September 1985. The three decades of self-imposed isolation, or what the regime described as the "Burmese Road to Socialism", had turned the region's most prosperous country into an economic basket case. Since 1990, the Chinese have found Myanmar a ready market for their cheap consumer goods, such as textiles, bicycles, cigarettes, beer, household utensils, and agricultural products. Annual Sino-Myanmar trade is estimated to be more than US$1.5 billion, excluding a lucrative illicit cross-border traffic in drugs from Myanmar's side of the Golden Triangle. To strengthen and increase its trade links with Myanmar, China is also providing its southern neighbour with economic aid and technical help in developing its physical infrastructure. Chinese authorities in the southwest province of Yunnan have plans to build a 1,350 kilometre railway through Laos and Myanmar to Thailand, which will link Kunming with Bangkok. Hundreds of Chinese experts are already working on major highway, railway, and bridge construction projects in Myanmar which will significantly increase the volume of trade between China and its South and Southeast Asian neighbours in the years ahead.

From the strategic viewpoint, arms sales and/or military cooperation have always been an important means of funding the PLA's

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modernization drive and of expanding China's influence abroad. For example, through its military assistance, Beijing has recently come to acquire considerable political influence over Myanmar and Laos. Arms sales have also raised China's profile in South Asia, thereby affording Beijing the opportunity to mediate the conflict between Myanmar and Bangladesh over Rohingya Muslim refugees.

Closer Sino-Myanmar ties are now seen as "of great significance to the national security of China". Arguing that China's sea lines of communication are subject to military blockades or interruption in the East and South China seas, Chinese defence planners now routinely stress that "a route from Yunnan to Yangon could become an important transport line for goods and materials".[19] Chinese forays into Myanmar are also a reflection of China's transformation from a continental power into a maritime power increasingly dependent upon external trade, on ever-growing volumes of imports and exports through oceanic routes, and on overseas markets for capital and investments. Eighty-five per cent of China's external trade is transported by sea. This, in turn, necessitates the development of a blue-water naval capability to protect vital sea lines of communication. A major hurdle in the Chinese ambitions to dominate the Malacca Straits and to ensure the safe passage of goods through the vital sea lanes was the lack of any maintenance bases in and around the Indian Ocean for its naval ships. With Myanmar offering its port facilities for repair and maintenance, a key strategic objective — that is, an opening to the Bay of Bengal/Andaman Sea via China's southwest frontier — has now been realized.

The Chinese defence establishment is concerned about India's ambitions to dominate the Indian Ocean and its increasing capability to project power.[20] Despite a recent thaw in Sino-Indian relations, Chinese strategic literature continues to list India as one of China's most likely opponents in regional conflicts on China's southern borders in the 1990s and beyond (the others being Vietnam and Taiwan).[21] Chinese strategists are also increasingly questioning India's view of its status in the Indian Ocean. A high-ranking PLA officer and Director of the Chinese Academy of Military Sciences, General Zhao Nanqi, was quoted in 1993 as saying that China would extend its naval operations farther than the South China and East China seas to check attempts by India to "dominate" the Indian Ocean and other regional waters. Accusing India of seeking to develop a navy to rival that of "large global powers", General Zhao said that "this is something which we cannot accept ... we are not prepared to let the Indian Ocean become India's Ocean".[22] Having established a presence in the Western Pacific, the Chinese navy's expansion into the Indian Ocean should be seen as "the

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realization of one of Beijing's dreams, which is that its navy can operate in two major oceans" and thus heralds China's emergence as a *truly global power.*[23]

Last but not least, China's naval deployments into the Indian Ocean could well be a part of Beijing's grand strategy for the next century. With its present rate of economic growth, China will become a major importer of Middle Eastern oil in ten years.[24] Resource scarcity in the twenty-first century could see nations engaged in intense competition, confrontation, and conflict, and navies will be called upon to protect vital sea routes. In fact, competition for resources has already provoked a degree of elbowing in the region — witness, for example, the rush to extend claims and counter-claims to the oil and gas that lie under the South China Sea, Sea of Japan, East China Sea, and Central Asia. As Geoffrey Blainey has observed, a major function of war is to "reallocate natural resources and living space, often taking them from a declining nation and allocating them to a rising nation".[25] And, China is both a rising and an expanding power — expanding in its economy, energy needs, population, military strength, national frontiers and, of course, in its determination to use its power. Growing demand for imported petroleum may well explain Beijing's naval interests in Myanmar regarding the security of shipping routes through the Indian Ocean to the Strait of Malacca and the South China Sea. China's naval buildup can thus be viewed as being undertaken to secure the country's oil supply routes. Given the geostrategic significance of the Spratly Islands for sea-lane defence, interdiction, and surveillance, whoever dominates the Malacca Strait and the South China Sea will determine the destiny of the whole region. And it might seem that Beijing -- by developing a blue-water navy and naval bases in Myanmar — might well be positioning itself to dominate both. In addition to Myanmar, China plans to secure permission from other friendly countries, such as Pakistan and Iran, to establish naval bases in the Indian Ocean and the Persian Gulf.[26]

China's goal in its foreign relations, more often than not, is not conquest or direct control but freedom of action, dominance and influence through coercive presence. Beijing's growing economic and political ties with the outside world have not weakened the hold of traditional notions of hegemony, cultural supremacy, and sovereignty. According to a noted China-watcher, Beijing is seeking to

> place itself at the top of a new hierarchical pyramid of power in the region — a kind of new "tribute system" whereby patronage and protection is dispensed to other countries in return for their recognition of China's superiority and sensitivities. International relations

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scholars recognize this as a classic benevolent hegemonic system, although China adheres to a more coercive definition of hegemony (*bachuanzhuyi*).[27]

Apparently, both geo-economic and geostrategic calculations lie behind China's long march into Myanmar. Most observers agree that Beijing seems to be motivated more by economic reasons (that is, the maintenance of open sea lines of communication) and the benefit of a secure flank, and less by the need to develop a base for aggression. Whatever the case, the fact remains that in recent years Myanmar is seen as having moved too close to China for India's or ASEAN's comfort. It does not matter whether China's expansion is dictated by economic or by strategic interests. What matters is that Beijing's Myanmar policy is a manifestation of a Chinese desire to be a major power in both the Pacific and Indian oceans. It is also a demonstration of the *potential* for a Chinese naval presence in the Indian Ocean should it ever wish to establish one in the future. This reality has brought about a strategic consensus between India and the Southeast Asian countries on the need to counter Chinese expansion into the Indian Ocean. Even if some accounts of China's military connection with Myanmar are untrue, the fact that they are so easily believed in New Delhi (and in Southeast Asian capitals) despite significant improvements in bilateral relations, shows the degree of residual distrust and suspicion.

ASEAN's Dilemma: How to turn a Pariah into a Player?

Just as China and India are closely monitoring each other, so are regional Asian neighbours who share strategic concerns over the future intentions of and developments in Myanmar. There is concern in Asian capitals that the regional security environment could deteriorate if the Myanmar military regime becomes the new linchpin of Chinese strategy for the expansion of its influence in South and Southeast Asia. Instead of getting drawn into a strategic competition between India and China or between China and Japan, the ASEAN countries' interests lie in balancing off one regional power against the other in order to maintain the delicate multipolar balance of power. Geostrategic realities also ensure that ASEAN will never ostracize Myanmar. Unlike outsiders, neighbours have to live with one another, forever. Arguing that ganging up on Yangon is counterproductive, as it would push Myanmar further into China's strategic orbit, ASEAN has pursued a policy of "constructive engagement". ASEAN has sought to encourage reform in Myanmar by maintaining commercial and political contacts, and resisting Western pressure for sanctions. Likewise, Japan has attempted to use a carrot rather than a stick method of enticing Yangon away from

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Beijing by reopening the aid pipeline, in the form of modest grants for humanitarian purposes. Japan seems to share India's concerns about the Chinese navy's access to Myanmar bases, and the prospect of Myanmar becoming an unwitting stalking horse for China's strategic ambitions in the Indian Ocean.[28] Much like Tokyo, New Delhi has also lent its support, belatedly though, to ASEAN's efforts to draw Myanmar closer into its orbit, thus abandoning its earlier stance of isolating the Myanmar military regime. In July 1994, Myanmar was invited to join the ASEAN Post-Ministerial Conference as an observer, and it signed the Treaty of Amity and Co-operation, an essential prerequisite for becoming a member of ASEAN. Vietnam was admitted into ASEAN in 1995, and Myanmar, Laos, and Cambodia will become full members of ASEAN in 1997. One observer expects an expanded ASEAN grouping, which includes all the ten Southeast Asian states, to provide "a robust barrier against any greater assertiveness by China".[29] Myanmar and Vietnam as ASEAN member-states thus figure prominently if the strategy is to neutralize any potential threat of "Finlandization" of Southeast Asia by a powerful China. Turning a regional pariah, Myanmar, into a regional player would be the first step in that direction.

ASEAN's "constructive engagement" policy coupled with economic difficulties and the need to assuage regional concerns about Yangon's pro-China foreign policy orientation forced Myanmar's military junta to open the door to foreign investment and renew contacts with its Southeast Asian neighbours. Indonesian, Malaysian, and Singaporean leaders have paid official visits to Yangon, and SLORC officials have visited a number of ASEAN countries as well as India. Singapore is now Myanmar's largest trading partner after China and among its top ten foreign investors.[30] The Myanmar Government has expressed its desire to align the country with the booming economies and tourist industries of southern China, Vietnam, Thailand, Malaysia, Indonesia, and India. Economically, this policy has certainly enabled the ASEAN states to take advantage of economic opportunities (in the form of a large market for goods and investment) offered by the SLORC's economic liberalization programme.

Politically, however, apart from possibly securing the release of opposition leader Aung San Suu Kyi, "constructive engagement" has produced neither national reconciliation nor the restoration of the democratic process which, in any case, has never been its goal. On the contrary, there are signs that as its hold on power becomes firmer, the military regime intends to seek greater international ties and legitimacy on its own terms. As for seeking the SLORC's co-operation in addressing non-military threats to regional security, such as the cross-border drug trade, smuggling, prostitution, the AIDS (acquired immune

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deficiency syndrome) epidemic, and environmental problems caused by indiscriminate logging and mining, not much progress has been made. If anything, the construction of a transport infrastructure between Myanmar and Yunnan province has probably made things worse by greatly facilitating the drug and illicit goods trade, along with the burgeoning official trade between the two countries. A rapidly growing AIDS epidemic, fuelled by the region's major drug and sex industries, is reportedly having an effect from India's northwestern provinces across northern Myanmar and into Yunnan.[31] There is no end in sight to these problems while the SLORC avoids addressing the underlying issue which has caused the insurgents to take up arms in the first place and then turn to drugs —that is, their desire for a pluralist and democratic regime in Yangon.

In fact, by raising regional concerns about Myanmar's strategic alignment and offering some economic inducements, the SLORC has used ASEAN's "constructive engagement" policy to its own advantage.[32] The military junta has extracted significant economic and political concessions from its erstwhile critics which, in turn, has helped fuel economic growth over the last few years, and helped it to entrench itself in power. The SLORC has so far withstood all the criticism and pressure.

Myanmar: From Pawn to Pivot?

As noted earlier, Myanmar is richly endowed with vast natural and human resources, including one of the largest forest reserves in Asia and soil that once produced a substantial proportion of the world's rice. Little of its potential wealth has been exploited. This is a fact not lost upon many of its neighbours. Its size and geostrategic location mean that it certainly has the *potential* to be a key regional player. A non-aligned, neutral, democratic, and prosperous Myanmar will certainly be a stabilizing factor in Asia. This section addresses the problems and prospects of Myanmar's transformation from a pawn to a pivot. More specifically, it looks at Myanmar's role in regional security and Sino-Myanmar relations, especially from the perspective of China-watchers and Chinese strategists, and concludes with serious doubts about Myanmar's ability to be an independent regional player over the short to medium terms.

Myanmar's Options

Seen from Yangon's perspective, too much dependence on China is not in Myanmar's national interests. While the Chinese embrace might

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ensure the SLORC's survival, it also entails significant costs. It restricts Myanmar's freedom of action and results in a significant dilution of national sovereignty. Myanmar may defer to China in exchange for respect for its independence and minimal intervention in Myanmar's internal affairs. However, arms transfers and economic ties have dramatically increased China's influence within Myanmar. In fact, a few years of trade and military aid have turned Myanmar into China's closest ally — an objective which the three decades of Beijing-supported insurgency and the Burmese Communist Party's armed struggle failed to achieve. Not surprisingly, then, dissatisfied groups have accused the SLORC strongman and powerful intelligence chief, Khin Nyunt, of selling out to the Chinese.[33] The *Far Eastern Economic Review* has reported the growing discontent in northern Myanmar towns over a massive influx of ethnic Chinese, mainly from the border province of Yunnan, who have reportedly taken over houses, hotels, and businesses and forced the local inhabitants to move to the outlying areas.[34] Myanmar's markets are flooded with cheap Chinese consumer goods. "Road construction in the north, private investment in north-central towns and cities, and consumer products of every sort all reflect the embrace of the classic big brother-cum-enemy."[35] Obviously, all is not well between Myanmar and China. Growing Myanmar opposition to Chinese domination of the economy and military, the plunder of the country's raw materials, large-scale Chinese immigration, and drug trafficking on the Sino-Myanmar border are sources of friction.

In the long term, Myanmar's strategic interests lie in counterbalancing China's influence and power through its ties with India and ASEAN. Indeed, there have been indications that the SLORC has started looking towards India as a bargaining chip in its dealings with China. The Indian Army Chief, General B.C. Joshi, visited Myanmar in May 1994 and unconfirmed reports suggest that "Myanmar may even purchase some Indian weapons for its armed forces".[36] Economic liberalization policies in India and Myanmar are laying the foundations of stronger economic ties between the two. Both have agreed on joint economic developments on their border, to supply Indian electricity to several remote Myanmar villages, and to take joint security measures against insurgents and drug dealers. Furthermore, sustained economic growth, greater involvement in regional affairs, and membership of ASEAN and the ARF will provide the Myanmar regime with powerful leverage and strong incentives to desist from making policy choices which arouse regional concerns.

Indeed, the Myanmar leadership, extremely sensitive about the country's sovereignty and independence and always suspicious of Beijing's long-term intentions, sees its current closeness with China as

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"a temporary measure only".[37] Yangon cannot be happy with a situation which could allow Chinese influence over important aspects of Myanmar's foreign policy. The SLORC remains adamant that it will not allow foreign troops on its soil.[38] Some critics point out that by exaggerating the *potential* Chinese threat to the region, India and ASEAN have already put pressure on the SLORC regime to modify its hardline political stance and to distance itself from China.[39] Despite all the hyperbole about Chinese incursions into the Indian Ocean, objective observers concede that given the limited amphibious, sea endurance, and sealift capabilities of China's navy to perform sustained operations in the Indian Ocean, China still has a long way to go before it can even think of dominating that ocean. The lack of supply ships and poor Myanmar infrastructure also mean that such naval operations will be logistically difficult for some time. In the short to medium terms, the South China Sea will remain the focus of the Chinese navy. At most, only a symbolic presence of the Chinese navy in the Indian Ocean can be expected in the next five to ten years.

The continuation of the political status quo within Myanmar also cannot be taken for granted. Aung San Suu Kyi and the remnants of the NLD continue to focus international media attention on the SLORC's apparent lack of a popular mandate. Remote though it may seem, one cannot rule out the possibility of the SLORC being overthrown by a popular movement. The ever-shrinking ranks of authoritarian regimes in Asia show that the time is on the side of democratic forces worldwide. Political change in Yangon in the near future — for example, the coming to power of an Aung San Suu Kyi-led democratic government — could also lead to a situation where China is denied access to the very naval facilities it is now building.

For its part, ASEAN needs to consider whether the time has come to replace the policy of "constructive engagement" with "comprehensive engagement" — one which seeks to engage the SLORC as well as the Myanmar opposition forces. "Comprehensive engagement" would also offer the Myanmar regime the opportunity to develop a fuller range of diplomatic, security, and economic contacts with Asian and Western countries. It would not only be able to seek new trading, investment and financing opportunities in the West and East, but also develop a more balanced policy towards China and India.

If all these conditions are met, and that is indeed a big "if", the destabilizing implications of Myanmar's recent pro-Beijing tilt in foreign policy can be contained and managed. However, events in the last two years do not lend much confidence to the SLORC's ability to walk a fine line on issues of national and international importance. Aung San Suu Kyi is quoted as saying that the SLORC leaders "are like a

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chess player who only think one or two moves ahead".[40] Given Myanmar's dependence on China for military hardware, training, spare parts, financial assistance, and industrial equipment, Beijing can apply considerable pressure on the regime, be it military or civilian, to prevent its defection from China's camp. ASEAN's "constructive engagement" policy notwithstanding, China still remains Myanmar's main trading partner, arms supplier, and a steadfast supporter in international fora.

Chinese Checkers

Questions about Myanmar's future role in regional security cannot be answered satisfactorily without a proper understanding of Myanmar's place in China's grand strategy for the twenty-first century. China is destined to become the world's biggest economy well before the next century reaches its midpoint. This will make China a genuine global great power — something that the former Soviet Union never was. As such, China will exercise enormous influence on the international stage, most notably on its Asian neighbours and its major trading partners. Even when it was weak, China always played a hard game whenever its interests were threatened. In its territorial disputes, the political, military, and economic pressure that China is prepared to apply discomforts neighbours such as India, Vietnam, the Philippines, Malaysia, Indonesia, and Japan. Beijing will not abandon or compromise its claims to the Spratlys, Senkakus, and Taiwan, nor its hopes for a leading role in Southeast Asia, a decisive role in Northeast Asia, and a military presence in the Indian Ocean. This could result in great power rivalry and competition in Asia which may not be much different from the U.S.-Soviet rivalry of the Cold War years. If China steps into the shoes of the erstwhile "evil empire", it could well, over time, precipitate a split within ASEAN into pro-China and anti-China states. Even if China plays by internationally-accepted rules of the game, a wealthy and powerful China will assert itself in world affairs as every other powerful country has done because superpowerdom is essentially about dominance, and the projection of power and influence.

Sooner rather than later, Beijing's quest for superpower status will pit it against Tokyo's ambitions for a status-quo in Northeast and Southeast Asia. China's rapid rise as an economic and military power will force Japan in the not too distant future to assume a greater security role by taking a keen interest in multilateral security processes and forming bilateral defence agreements with other countries in the Asia-Pacific region. A similar contest between China and India over dominating South and Central Asia, Myanmar, and the northern Indian

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Ocean (Malacca Strait) will intensify in the early part of the next century. Any move by China to pursue more forcefully its maritime claims in the South China Sea or extend its reach into the Indian Ocean via Myanmar might well compel the Japanese to seek co-operation with ASEAN and India to counter China.

China's rise as a great power has already resulted in shifting alignments and a reorientation of the regional balance of power in Asia. Figure 1 shows the overall orientation of the Asian countries *vis-à-vis* China on a ten-point scale from one (pro-China) to ten (anti-China). History shows that new, fast-rising great powers usually have very few friends, and China is no exception to this rule. There has been a continuous decline in the number of pro-China states since the end of the Cold War. China's emergence as a superpower will make it very difficult for its Asian neighbours to stay neutral.

Beijing views any formal alliance (such as, between the United States and Australia or Japan) or any tacit alliance (such as, between ASEAN and India or Japan) as a threat to its security, and is determined to take countermeasures. For its part, China is seeking to establish a balance of power favourable to its national interests, and therefore actively dangling the carrot of economic, military, and diplomatic support to bring Asian countries closer to its world-view. This inevitably involves an expansion of its political and military influence and footholds in countries stretching from Pakistan to Myanmar to Laos. China's interest in staking out a presence in Myanmar, and thereby the Indian Ocean, is based on an assessment of China's strategic needs in the twenty-first century. As Lintner observes: "The Chinese have keyed the development of their outlying regions both in terms of economic development and security concerns to establishing symbiotic relations with adjacent territories".[41] The strategic context in which China views its relationship with Myanmar is as a client state both for southward expansion and to counteract the moves of its rival powers. Strategic alliances with Pakistan in the southwest and Myanmar in the southeast constitute the linchpin of Beijing's strategy, which serves two key objectives. First, it ties New Delhi down south of the Himalayas in order to prevent India's rise as a real rival to China. Secondly, through friends and allies such as Myanmar and Laos within ASEAN, Beijing can thwart any evolution of ASEAN into an anti-China or pro-Japan regional grouping. Furthermore, China's and the other Asian countries' dependence on the Middle East for energy needs is rapidly deepening. The geopolitical implications of closer economic interdependence between the volatile Middle East and dynamic Asia could be unsettling, to say the least. This means that the sea lanes from East Asia to the Gulf, together with such intermediate states along that path as

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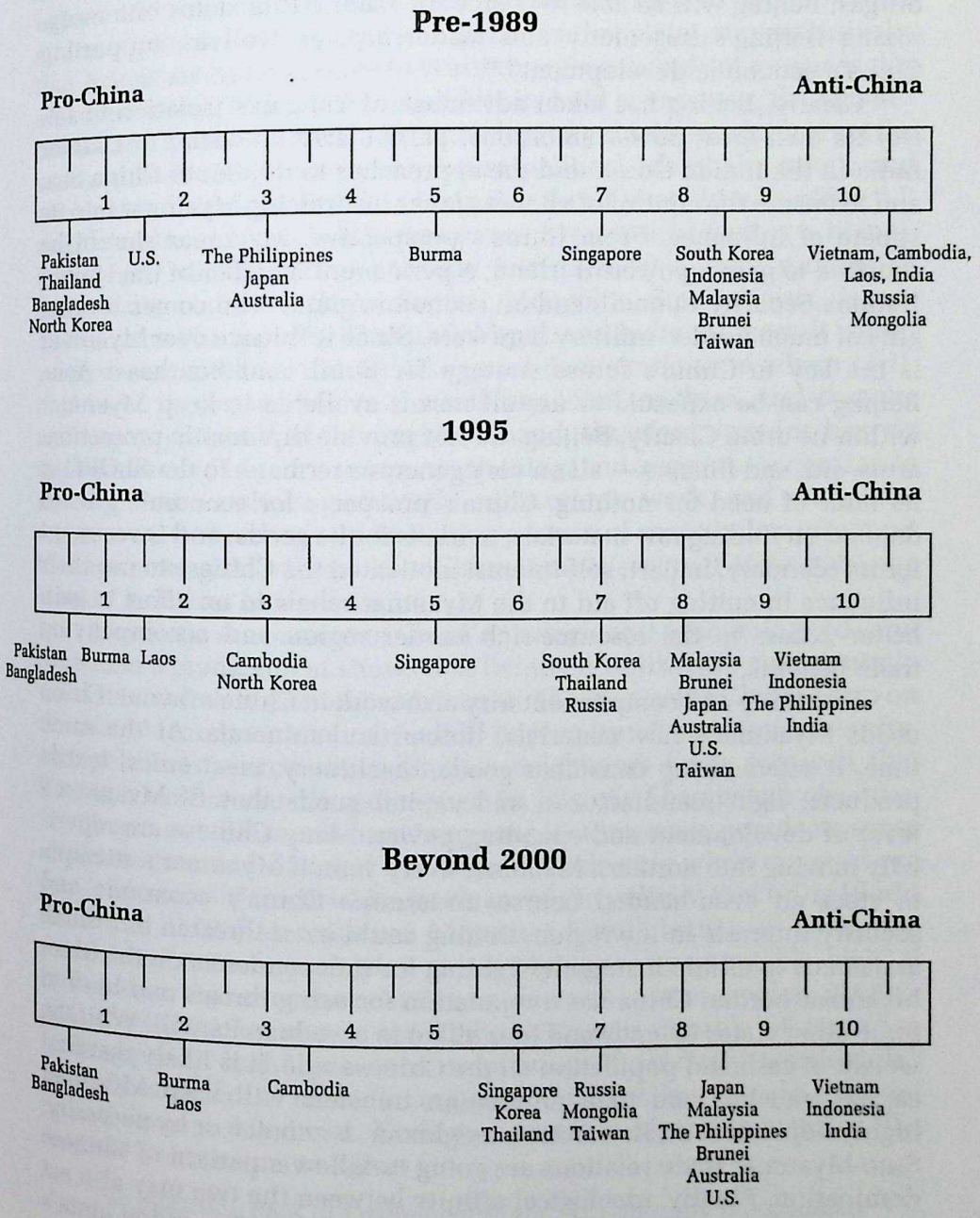
FIGURE 1

China's Rise and the Shifting Balance of Power in the Asia-Pacific



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Myanmar, are assuming increasing strategic importance.[42] The growing energy needs of the Asian economies can be used both as an instrument of coercion and as a means of consolidating regional dominance. As Bodansky explains: "By controlling and facilitating the availability of oil/gas, Beijing will be able to coerce the Pacific Rim states into recognizing Beijing's hegemony and leadership, as well as supporting China's economic development".[43]

Clearly, Beijing has taken advantage of Yangon's isolation to satisfy its own great power ambitions, particularly its desire to counter India in the Indian Ocean and the approaches to the South China Sea, and to ensure the control of vital sea lanes by drawing Myanmar into its sphere of influence. From China's perspective, Myanmar should be satisfied to gain a powerful friend, a permanent member of the United Nations Security Council, and an economic giant, who comes bearing gifts of much needed military hardware. Since influence over Myanmar is the key to China's future strategy for South and Southeast Asia, Beijing can be expected to use all means available to keep Myanmar within its orbit. Clearly, Beijing did not provide diplomatic protection, arms, aid, and finance — all on very generous terms — to the SLORC in its hour of need for nothing. China's prospects for economic growth depend on finding raw materials, markets for its goods, and investment for its economy. In part, self-interest motivated the Chinese to use their influence in cutting off aid to the Myanmar rebels in an effort to gain better access to the resource-rich border region and accompanying trade benefits.

Proximity and complementarity also work in China's favour. China needs Myanmar's raw materials, timber, and minerals. At the same time, it offers cheap consumer goods, machinery, electronics, textile products, light manufactures, and capital goods that fit Myanmar's level of development and spending power. Many Chinese are reportedly moving into northern Myanmar every year. If Myanmar's attempts to steer an even-handed course undermine China's economic and security interests in the region, Beijing could even threaten to resume assistance to ethnic insurgents fighting for independence on the Sino-Myanmar border. China has a reputation for using threats and bluff to force other states (friends and foes alike) to accede to its will. With the weight of cash and population on the Chinese side, it is likely that first capital transfers and then population transfers will keep Myanmar highly dependent on its northern neighbour. By choice or by necessity, Sino-Myanmar trade relations are going to follow a pattern of Chinese domination. Finally, ideological affinity between the two may also act as a constraint on Myanmar's future policy options. The ruling junta's world-view is influenced and shaped by its ties to the old men of

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Beijing. Both have a siege mentality and adhere to the nineteenth century notion of state sovereignty. Both remain strongly opposed to political pluralism in any form. SLORC's killings when it seized power in 1988 was matched, less than a year later, by the Tiananmen massacre in June 1989. Leaders in both countries combine appeals to nationalism and xenophobia with "cultural" arguments that claim, unpersuasively, that Asians are not receptive to Western-style concepts of human rights and democracy. To further consolidate its hold over power, the SLORC-influenced national convention has adopted guidelines which grant the military "a leading role in the future political life of the state", and eliminates the possibility that Aung San Suu Kyi could take office.[44] It might not be in China's interests to see Myanmar becoming a liberal-democratic state. China is already encircled by a large number of democratic states, such as Russia, Mongolia, South Korea, Japan, Taiwan, the Philippines, Thailand, Nepal, and India. At most, it would wish to see another Pakistan-like quasi-democratic state where civilians hold power so long as the military tolerates them, and that the military is paranoid of its neighbours and, therefore, remains heavily dependent on China for weapons, training, and support. According to noted China-watchers, politically subservient, weak, and compliant regimes on its borders add to Beijing's sense of security because most Chinese strategists believe that "China is more secure if other states are weaker and thus less secure".[45]

A realistic assessment of China's strategic and economic needs and Myanmar's predicament shows that Beijing is unlikely to give up easily what it has already gained in Myanmar. The increasing Chinese grip on northern Myanmar's economy could have cultural, economic, security, and political repercussions. China's neighbours know too well that Beijing's bark is usually worse than its bite. As Shambaugh observes: "Beijing is a ruthless and hard bargainer that intensely guards its sense of sovereignty and national interests. It bends only when the *quid pro quo* is financially worthwhile (such as reform policies that bring World Bank and IMF [International Monetary Fund] loans) or when the penalties of not compromising or complying are unacceptably high".[46] It is obvious that over the next five to ten years at least, neither SLORC, ASEAN, India, Japan, nor the United States is capable of imposing "unacceptably high" penalties or offering "financially worthwhile" rewards sufficient to make Beijing give up what it has already acquired in and through Myanmar. Even an optimistic Myanmar-watcher like Andrew Selth seems to agree:

> The transition back to a more neutral and economically independent Myanmar will be neither quick nor easy, *particularly if this shift is opposed by China*. The latter's hold over Myanmar is already strong,

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and its strategic weight is steadily increasing as its economy grows and its defence forces are modernized. Also, the *bilateral relationship is developing a life of its own*, and is already affecting areas which may be beyond either the SLORC's, or China's, ability to control.[47]

Over the long term, however (that is, beyond 2010), as China changes, as Myanmar's political and economic standing improves, as Myanmar's economy becomes more integrated with ASEAN's, and as regional organizations evolve into an effective multilateral security forum, Yangon could find greater freedom of action and move slightly farther away from Beijing. But it would still not go very far for fear of antagonizing the superpower on its doorstep (see Figure 1). This means that given its role in China's grand strategy for the next century, Myanmar is unlikely to play the role of an independent or pivotal player in regional security affairs.

NOTES

1. Andrew Selth, "Burma: 'Hidden Paradise' or Paradise Lost", *Current Affairs Bulletin* (Sydney) 68 (November 1991): 4–11; P. Stobdan, "China's Forays into Burma: Implications for India", *Strategic Analysis* (New Delhi) 16, no. 1 (April 1993): 21–38; David Steinberg, "Myanmar as Nexus: Sino-Indian Rivalries on the Frontier", *Studies in Conflict and Terrorism* 16, no. 1 (1993); J. Mohan Malik, "Sino-Indian Rivalry in Myanmar: Implications for Regional Security", *Contemporary Southeast Asia* 16, no. 2 (September 1994): 137–55; and "China-India Relations in the Post-Soviet Era: The Continuing Rivalry", *China Quarterly*, no. 142 (June 1995), pp. 317–55.
2. Some Myanmar-watchers may not approve of the use of the term "pawn" to describe the recent pro-China tilt in Burmese foreign policy. However, the fact remains that Myanmar's neighbours do see the SLORC as a Chinese puppet and, in international relations, perceptions are more important than realities.
3. Andrew Selth, "Burma and the Strategic Competition between China and India", *Journal of Strategic Studies* 19, no. 2 (June 1996): 213.
4. Ibid., p. 226.
5. Ibid., p. 214. See also William Ashton, "Burma's Chemical Weapons Status", *Jane's Intelligence Review* (hereafter cited as *JIR*), 7, no. 6 (June 1993): 284; and Bertil Lintner, "Burma: Centrifugal Forces", *Far Eastern Economic Review* (hereafter cited as *FEER*), 27 February 1992, p. 16.
6. William Ashton, "Chinese Bases in Burma — Fact or Fiction", *JIR* 7, no. 2 (February 1995): 84.
7. Stobdan, "China's Forays into Burma", p. 35; and Bertil Lintner, "Burma: Arms for Eyes", *FEER*, 16 December 1993, p. 26.
8. Ashton, "Burma's Chemical Weapons Status", p. 284.
9. Bertil Lintner, *Burma in Revolt: Opium and Insurgency since 1948* (Boulder, Colorado: Westview Press, 1994), pp. 314–29. See also Stobdan, "China's Forays into Burma", pp. 25, 27.

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10. Lintner, *Burma in Revolt*, p. 84.
11. *FEER*, 28 November 1991, p. 11.
12. *Jane's Defence Weekly* (hereafter *JDW*) reported that "about 70 Chinese personnel have been attached to the Burmese Navy as instructors and technicians. China is helping to build a new naval base at Hainggyi Island and to upgrade facilities at Sittwe (Akyab), Mergui, and Great Coco Island". See *JDW*, 27 November 1993, p. 11.
13. Nirmal Mitra, "Coming Closer", *Sunday* (Calcutta), 23–29 August 1992, p. 59 (emphasis added). The Chinese naval activity in the Bay of Bengal has dramatically soared in recent years. In August 1994, the Indian navy seized in its waters a Chinese ship equipped with modern electronic monitoring gear and three cargo vessels flying the Burmese flag with a total of 55 Chinese crew. Though the issue was quietly resolved, it had the potential for a major flare-up. See Bertil Lintner, "Burma: Enter the Dragon", *FEER*, 22 December 1994, p. 23.
14. Ruben Banerjee, "China: Worrying Approach", and Sunil Dasgupta, "The Navy: In Troubled Waters", *India Today*, 30 April 1994, pp. 70–71.
15. As is their wont, the Chinese vehemently deny that they are "up to anything" whenever ASEAN and Indian leaders and officials raise the topic of Chinese arms flows into Myanmar and the buildup of naval facilities. See *Sunday*, 23–29 August 1992, pp. 58–59. See also Jeffrey Parker, "Top-level Visit from China Triggers Navy Buildup Fear", *Age* (Melbourne), 27 December 1994, p. 14; and *FEER*, 16 September 1993, p. 13.
16. Stobdan, "China's Forays into Burma", p. 34; and Ashton, "Chinese Naval Base: Many Rumours, Few Facts", *Asia-Pacific Defence Reporter* (hereafter cited as *A-PDR*), June–July 1993, p. 25.
17. *The Economist*, 23 January 1993, p. 27.
18. Bertil Lintner, "Rangoon's Rubicon", *FEER*, 11 February 1993, p. 28.
19. See Chu Ko-Chien et al., "China's National Security in the Year 2000," in Larry M. Wortzel, "China Pursues Traditional Great-Power Status", *Orbis* 38, no. 2 (Spring 1994): 164. Gen. Li Jiulong, commander of China's Chengdu military region, which is the command headquarters and major supply base for Chinese troops in Tibet, visited Myanmar's naval facilities in July 1994 and reportedly pressured Yangon to allow greater Chinese access to three islands off the Burmese coast for signals intelligence — Ramree Island, south of Sittwe in Western Arakan state, Coco Island in the Indian Ocean, and Zadetkyi Kyun or St. Matthew's Island off the Tenasserim coast in the southeast, which is close to the northern entrance to the Strait of Malacca. See "Snooping Around", *FEER*, 4 August 1994, p. 12.
20. Wortzel, "China Pursues Traditional Great-Power Status", pp. 161–62; and Desmond Ball, "Arms and Affluence: Military Acquisitions in the Asia-Pacific Region", *International Security* 18, no. 3 (Winter 1993/1994): 87.
21. Ye Zhengjia, "India's Foreign Policy in Restructuring International Relations", *International Studies* [*Guoji Wenti*], III (1992). A banned Chinese book authored by a serving PLA official sees the United States, India, Vietnam, and Taiwan as potential military enemies. *Weekend Australian*, 20–21 November 1993, p. 16.
22. "China's Plan to Buildup Navy", *Hindustan Times*, 13 January 1993, p. 14. See also *Time*, 10 May 1993, p. 39.
23. "Beijing Expands Its Navy", *Inside China Mainland* (Taiwan), (April 1993), p. 67 (emphasis added). At a seminar at the Australian National University in May 1991, Hua Di, a Chinese strategist, said that China cannot claim to be a truly global superpower unless it has the capability to dominate two oceans, the Pacific and the Indian. He argued that the cases of the Soviet Union and the United States show that to be a superpower, an essential prerequisite is the ability to dominate at least two oceans — the Atlantic and the Pacific.

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24. Several articles on the energy needs of China and Asia have concluded recently that China's thirst for oil will turn its attention to the Middle East and Southeast Asia, and this in turn will become a source of potential Asian conflict in the coming decades. Martin Walker, "China and the New Era of Resource Scarcity", *World Policy Journal* 13, no. 1 (Spring 1996): 8–14; Mamdouh G. Salameh, "China, Oil and the Risk of Regional Conflict," *Survival* 37, no. 4 (Winter 1995/1996): 133–46; Kent E. Calder, "Asia's Empty Tank", *Foreign Affairs* 75 (March/April 1996): 55–69; Yossef Bodansky, "Asia Prepares for a New Energy Crisis", *Defense & Foreign Affairs Strategic Policy* (June–July 1996), pp. 1, 8; and Michael Richardson, "Oil Lies at the Bottom of China-Japan Dispute Over Islands", *International Herald Tribune*, 17 September 1996, p. 4.
25. Geoffrey Blainey, "Past and Future Wars", in *International Conflict Resolution*, edited by Ramesh Thakur (Boulder: Westview Press & University of Otago Press, 1988), p. 98.
26. *South China Morning Post* (hereafter cited as *SCMP*), 9 March 1993, p. 10.
27. David Shambaugh, "Containment or Engagement of China?" *International Security* 21, no. 2 (Fall 1996): 187.
28. China's Buildup Draws Japan's Attention", *Aviation Week & Space Technology*, 5 August 1996, p. 25. Japanese officials told *FEER* that "they are particularly concerned over the presence of the Chinese near Mergui, some 400 kilometres north of Penang and the entrance to the Strait of Malacca." See Bertil Lintner, "Burma: Arms for Eyes", *FEER*, 16 December 1993, p. 26; Clare Hollingworth, "Japan's Defence Worries Grow", *A-PDR*, April–May 1994, pp. 9–10.
29. Sandy Gordon, "South Asia after the Cold War", *Asian Survey* 35 (October 1995): 890.
30. Bertil Lintner, "The Road to Mandalay", *FEER*, 14 April 1994, p. 7.
31. Selth, "Burma and the Strategic Competition between China and India", p. 227.
32. See William Ashton, "Charm Offensive Working", *A-PDR* 21 (1995 Annual Reference Edition) pp. 41–42.
33. Bertil Lintner, "Murmur in the Ranks", *FEER*, 16 February 1993, p. 20.
34. *FEER*, 6 May 1993, p. 9.
35. Badgley, "Myanmar in 1993", p. 158.
36. Cited from Selth, "Burma and the Strategic Competition between China and India", p. 226.
37. Ibid., p. 224.
38. "Myanmar and China: But Will the Flag Follow Trade?" *The Economist*, 8 October 1994, p. 32.
39. Ashton, "Chinese Naval Base: Many Rumours, Few Facts", p. 25; Sandy Gordon, "Sino-Indian Relations After the Cold War", *SDSC Newsletter* (Canberra), (March 1993), pp. 1, 4.
40. Aung San Suu Kyi, quoted in "A New Game in Myanmar", *The Economist*, 1 June 1996, p. 27.
41. Lintner, "Burma: Enter the Dragon", p. 23.
42. Kent Calder, "The Power of Seven", *Australian*, 16 July 1996, p. 23.
43. Bodansky, "Asia Prepares for a New Energy Crisis", pp. 1, 8. According to Li Desheng, a Chinese geologist, China's oil reserves will last only another twenty years.
44. Mary P. Callahan, "Burma in 1995", *Asian Survey* 36, no. 2 (February 1996): 159.
45. Banning N. Garrett and Bonnie S. Glaser, "Chinese Perspectives on Nuclear Arms Control", *International Security* 21, no. 3 (Winter 1995/1996): 75.
46. Shambaugh, "Containment or Engagement of China?" p. 207.

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47. Selth, "Burma and the Strategic Competition between China and India", p. 226 (emphasis added).

J. MOHAN MALIK is Senior Lecturer and Director of the Defence Studies Programme at Deakin University, Victoria, Australia.

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At Thirty, ASEAN Looks to Challenges in the New Millennium

HUSSIN MUTALIB

ASEAN celebrates its thirtieth anniversary this year amidst a rapidly changing world. Looking back at its three decades of existence, the regional grouping has not only proven its critics wrong, but has achieved what many other regional initiatives have failed in the areas of politics, economics and security. ASEAN's success story becomes even more remarkable and significant given its sheer diversity and heterogeneity. Looking ahead to the new millennium, ASEAN can expect to be confronted with new challenges, both within the grouping and in its dealings with the international community at large, particularly with the anticipated entry of two former communist Indochinese states and Myanmar into its fold. Far from impeding ASEAN's progress, such impending challenges, creatively managed, can actually offer tremendous opportunities for this entity to further heighten its numerous collaborative endeavours, as well as buttress its resilience and unity — and hence uphold its relevance in the years ahead.

Introduction

A cursory look at the United Nations' records on formal initiatives to establish regional groupings would point to the fact that there have been more than forty such initiatives thus far, particularly in Africa and Latin America. But very few have succeeded in translating their common goals and aspirations into reality — as workable, functioning regional groupings. Included in this small category of successful attempts at collaborative and mutually beneficial endeavours within a

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region is ASEAN. Significantly, when first initiated in August 1967 in Bangkok by the five founding states (Thailand, Indonesia, Malaysia, Philippines and Singapore), this regional experiment was not taken seriously by many countries. The failure of similar previous attempts — ASA (the Association of Southeast Asian States) in 1961 and Maphilindo (Malaysia, Philippines and Indonesia) in 1963, as well as subsequent security threats and other destabilizing events in this region throughout the 1960s and 1970s led to pessimism and indifference about the viability of ASEAN from major powers, including the United States. In fact, even some academic discourses of the time, having witnessed the failure of such regional efforts, concluded what came to be represented by the well-known lament by Ernst Hass as the "obsolescence of regional integration theory". Such doomsday forecasts, both by academe and the major powers, have of course been proven wrong.

By the 1980s, when ASEAN had already become a permanent fixture of the Southeast Asian landscape, not only were regional studies receiving an even more pronounced treatment in major universities around the world, but the major powers themselves began acknowledging that ASEAN was a key to understanding Southeast Asia. Today, as this regional grouping celebrates its thirtieth anniversary in July this year, not only is the political and economic miracle achieved by its member-states duly accepted universally, but ASEAN's pattern of cooperation has begun to be studied and emulated in other parts of the world.

In this brief overview of ASEAN's record over the last three decades, the focus will be on two aspects of ASEAN: its past achievements, and future challenges. First highlighted are some of the group's significant achievements — and the reasons for its success — when numerous other regional initiatives have failed. Some "thoughts-to-ponder" will then be offered about the probable future challenges for ASEAN in the new millennium. With three Indochinese states joining the grouping it will be of great interest to the region, and also the global community, to see how a ten-member ASEAN confronts the trends and trappings of a new world in the next century.

Some of ASEAN's Main Achievements

The achievements of ASEAN are many, covering political, security, foreign policy, socio-cultural and economic dimensions. It will suffice to highlight only a few broad areas of significance.

First, the very establishment of ASEAN had helped to contain and check the recurrence of intraregional and domestic conflicts which in the past had invited foreign intervention in Southeast Asia. Without

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ASEAN, it would have been likely that individual states in this region would have continued to seek support from external sources to settle their domestic problems, or render themselves as proxies to the designs of the major powers. The pessimism previously shared by many about Southeast Asia becoming a highly unstable region, as was the Balkans in early twentieth century Europe, has been proven wrong, and this was only because of the concerted efforts by ASEAN leaders to work together for a common future and a common destiny.

Secondly, the Bangkok Declaration of 1967 stipulated the grouping's objectives as bringing "about economic, social and cultural co-operation among member states". There was also a political–security motivation, namely, the communist threat in the region which, given the sensitivity of the issue, was not openly broached by the group's founders. Over the years, however, and with greater confidence, the earlier conscious policy of playing down the security dimension of the group gave way to a more bold, common outlook on defence and security. Examples of this are not difficult to find: (a) the Zone of Peace, Freedom and Neutrality (ZOPFAN) concept in 1971; (b) the Treaty of Amity and Co-operation in 1976; (c) the idea of an ASEAN Defence Community in 1989;[1] and (d) the ASEAN Regional Forum (ARF) in 1994.[2] These commonly-held positions not only made for a peaceful Southeast Asia, but transformed the region into a "pluralistic security community" and all within a short span of fifteen years — indeed a remarkable achievement in the making of peace anywhere.

Such confidence, and competence, in managing political, security and strategic issues in the region have not only consolidated ASEAN's strength *vis-à-vis* other countries and powers but have also persuaded the former communist Indochinese states to abandon their earlier antagonism towards ASEAN and work hand-in-hand with the group. This is no mean feat because, as is commonly known, in the past states with opposing ideologies and with a history of enmity had not hesitated to go to war with their neighbours.

Thirdly, from time to time, one hears of the cynicism that was levelled at the many top-level gatherings, symbolized most vividly by the much-publicized Heads of State meetings (the ASEAN Summits). One can say, however, that since their inauguration in 1976 in Bali, these Summits — and the numerous ASEAN Ministerial Meetings, Post-Ministerial Meetings and High-Level Steering Committee Meetings — cannot be dubbed as merely public relations exercises. To start with, such close and cordial meetings at the highest level of leadership, and its powerful symbolism of intra-ASEAN solidarity, have helped ASEAN to work collectively towards a peaceful solution in managing inter-state disputes, or in responding to common security concerns.

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One is reminded of the manner by which some long-standing intra-ASEAN issues of concern were managed, such as the Philippines' claim to Sabah in 1968, the Indonesian absorption of East Timor in 1975, the U.S. withdrawal from Vietnam, the coming to power of communist regimes in Indochina, the oil crises, and other issues, some of which were potentially destabilizing for ASEAN. Indeed, one could perhaps suggest that so successful were such Heads of State Summits that they were frozen for ten years from 1979 to 1989, partly because results were seen in the form of substantive co-operative endeavours benefiting member-states. Perhaps it was the high-level rapport among the ASEAN leadership that led the grouping, in so short a time, to be taken seriously by all the major powers and other regional groupings. The holding of regular sessions with Dialogue Partners, that is, between ASEAN and others (the United States, the European Community, China, Japan, and other regional groupings), is testimony of the standing and image of ASEAN in the eyes of the international community. And ASEAN's greater concerns in some key areas such as market access, trade and tourism, flow of resources, transfer of technology, and the like, have been given consideration by its Dialogue Partners.[3] There have also been indications that increasing protectionist developments in the international economy, despite GATT (General Agreement on Tariffs and Trade) and the WTO (World Trade Organization), have spurred ASEAN to open up even newer agendas with other groupings and countries.

Fourthly, within the ASEAN entity itself, the range of mutually beneficial issues that have been addressed is wide and comprehensive — from pollution to transportation, mass media, science and technology, tourism and sports, and numerous other common issues which have become permanent agendas in the diaries of all governmental ministries in the ASEAN states. Broad agreement has also been achieved on ambitious regional projects, such as the ASEAN Industrial Projects (AIPs), ASEAN Industrial Joint Ventures (AIJVs), ASEAN Finance Corporation, and a host of other mutually beneficial economic initiatives. In fact, so much is required to be discussed that there is not a single day in a year where there is no ASEAN meeting of some sort taking place somewhere! As it has turned out, with more than 400 meetings a year involving officials at different levels, murmurings have been heard about the time and resources that have to be spent on such meetings.

The above are only four broad areas where ASEAN has made its mark. The ASEAN success story assumes a greater significance and meaning if one were to note the grouping's sheer diversity and the odds which are stacked against such collaborative ventures — in terms of the many constraints, such as population size, economic performance, and

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different levels of growth and development. (See Table 1 regarding sharp differences in socio-economic growth and other dissimilar demographic features within ASEAN.)

TABLE 1
The ASEAN Map: Now and Future
(Basic Statistics)

STATE (Alphabetical)	*Per cap GDP/PPP (US$)*	*Per cap GNP (US$)*	*Area (Sq.km)*	*Population (millions)*	*People per doctor*	*People per telephone*
Brunei	18,900	20,400	5,800	0.3	1,133	3.8
Indonesia	3,705	1,086	1,920,000	199.2	6,786	56.5
Malaysia	9,470	4,466	330,000	21.0	2,063	6.1
Philippines	2,935	1,265	300,000	69.7	1,016	38.6
Singapore	23,565	30,500	620	3.1	667	2.0
Thailand	7,535	2,970	514,000	61.4	4,361	15.6
Newcomers						
Cambodia	1,266	215	–	10.3	9,523	1,212.0
Laos	1,670	325	–	4.9	4,381	253.7
Myanmar	753	890	–	48.3	12,500	335.9
Vietnam	1,310	250	–	76.7	2,298	156.7

GDP = value of all goods and services produced in one year.
GNP = GDP plus payments from abroad from investments and labour, minus similar payments to foreigners.
PPP = purchasing power parity
Source: *Asiaweek*, 25 April 1997, p. 71.

Explaining the Reasons for the ASEAN Success Story: The "ASEAN Way"

The Manner of Discourse: "Musyawarah" and "Mufakat"

That ASEAN has not only survived but achieved quite substantially during its thirty-year history, and is looking towards the next century with optimism, can be rationalized. A study of the ASEAN success story in the last three decades reveals some of the recipes for its sustenance and resilience, when many other regional group ventures have gone into oblivion.

One unique explanation that accounts for ASEAN's success is the manner in which member-states go about resolving their differences or potential disputes. For want of a better term, we can refer to this skilful diplomacy in terms of the Indonesian-Malay practice of *musyawarah* (consultation) and *mufakat*[4] (consensus). This consultation-cum-

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consensus approach involves the following salient characteristics: first, a non-confrontational, give-and-take attitude in the way meetings and discussions are conducted, guided by the belief that everyone is entitled to the dignity of his own position; secondly, a genuine willingness to see the view and position of others, and a certain preparedness to compromise on one's own self-interests for the sake of the larger interest, or "split the difference and join the similar"; thirdly, the conscious refrain from exercising influence or coercion through any form of superiority position *vis-à-vis* other members, and an understanding to conduct discussions with goodwill, "not between opponents, but between friends"; and fourthly, the willingness, despite the frustrations, to be patient, and to persevere in trying to gel divergent views, in a "flexible accommodation of opposites", before reaching a mutually agreeable consensus on any major issue.

The Effective Role of Indonesia, the Biggest Brother

There is yet another explanation to the ASEAN success story. One of the major reasons for the failure of many regional groupings is the insistence of the biggest or largest member of the group to be treated as such in its dealings with other member-states. This is not the case for ASEAN. Indonesia, as the biggest partner, has, under President Soeharto's leadership, consciously played down its strength or superiority in relation to others. Indeed, Indonesia has often exercised a great deal of self-restraint in seeking to build and maintain a sense of camaraderie in the ASEAN camp. Perhaps, the Indonesian commitment towards the twin concept of *musyawarah* and *mufakat* as part of its cultural ethos has helped other ASEAN members to feel at ease, both with themselves and whenever they deal with their "big brother".

President Soeharto himself has demonstrated his moderating role in some bilateral issues which had seen relations being strained among the ASEAN members — such as in the Singapore-Malaysia water talks, his early visit to Malaysia during the martial law period in 1970, and his concern towards settling the Malaysia-Philippines dispute over Sabah.

Group Unity and Solidarity in the Face of International Pressures

In the conduct of diplomacy, it is to be expected that all states are preoccupied and concerned with protecting and promoting their own national interests. However, the degree to which states, especially in regional groupings such as ASEAN, are prepared to accommodate the wider and broader long-term interests of the group, will shape its resilience and solidarity. Again, fortunately for ASEAN, despite

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domestic and international pressures, its leaders have acted in a manner that has succeeded in balancing, creatively, both their national and group interests. Towards this end, one is reminded of the group's adoption of a common diplomatic position in its dealings with the major powers — and this has been shown in many issues of import to the security of the region — such as discussions about a nuclear-weapons-free zone for Southeast Asia, ZOPFAN, and a united stand against communism in the region.

Another recent example is the ASEAN position on the entry of Myanmar into its fold. Despite the consistent attacks by the United States and other Western countries on Myanmar's human-rights record, and the pressure that ASEAN should not admit Myanmar into the enlarged grouping, the ASEAN position has been unambiguous and consistent, namely, that the criteria for membership is only two — geographic and economic — and that Myanmar qualifies to be a member on the basis that these two are met; hence, the ASEAN-declared policy of "constructive engagement" in relation to its dealings with Myanmar.[5]

The Commitment and Priority Towards Economic Development

ASEAN's very formation was motivated by economic impulses rather than any other factor. However, the level of economic co-operation within ASEAN has not proceeded as well as envisaged and the progress of economic ventures has sometimes been grindingly slow. So, too, with the level of co-ordination in joint economic projects. Nevertheless, despite these frustrations, the priority that each individual ASEAN member-state has accorded to economic development, as opposed to, say, a military and defence build-up, has been an admirable feature of the grouping. Even Indonesia, whose leadership is heavily influenced by the military èlites, has geared much of its national agenda generally towards economic development.

Huge budgets are accorded by all the ASEAN states to building, consolidating and improving the productivity levels of their populations, in improvements to infrastructure, and in increasing the competitiveness of their domestic products. And, while the pace is slow for some member-states, new intra-ASEAN bilateral business and investment projects have continuously been established. Overall, one is justified in concluding that the marked prosperity of the ASEAN members as a whole, *vis-à-vis* other states in Southeast Asia and those of regional neighbours, has in no small measure directly contributed towards positioning the Asia-Pacific rim in a way that will make it the leading region in the next century.

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ASEAN in the Next Lap: Some Future Challenges

Any discussion about the future of ASEAN cannot but acknowledge the unveiling scenarios of the international order and the trends that will shape the globe in the next millennium. In this regard, international developments have become less predictable, necessitating some degree of reorientation in the manner states or groupings such as ASEAN operate.

To be positive and optimistic, one is tempted to agree with the prevailing view that communism and ideological issues of the past Cold War period may no longer be relevant. So, too, with the previous threat of nuclear confrontation among the superpowers. While not totally putting aside the probability of other forms of potential international instability — such as militaristic tendencies by powers such as Japan, Germany and China, and some form of cultural-civilizational clash as postulated by Samuel Huntington — by and large, economics are set to become the number one common pursuit for all states in an ever shrinking, multipolar global village. As part of the Asia-Pacific region, ASEAN nationals can consider themselves fortunate to have the chance to reap the anticipated benefits of a peaceful and economically dynamic and prosperous area of the world. It was once said that "the Mediterranean is the ocean of the past, the Atlantic is the ocean of the present, the Pacific is the ocean of the future".

The size, and hence relevance, of the Asia-Pacific can be understood if we were to note that by the year 2000, the region's projected world market share will trail second only to the United States, based on GNP/GDP figures: US$7,459 billion for the USA, US$6,521 billion for the Asia-Pacific, and US$6,280 billion for the European Community.

Since the more competitive a state or regional grouping becomes, the more its chance for prosperity in the new world order (characterized by global interdependence and competition) — whatever the nature of its power configuration — one is brought to conclude that the future for ASEAN and the broader Asia-Pacific is bright.

However, there could still be some potential problems and challenges for ASEAN in the new age. Some of these will be highlighted in the following sections.

Intra-ASEAN Economic Competition and Rivalry

It is a fact that the ASEAN states have more trade with countries outside ASEAN than with each other. It is also a fact that while much has been said about joint ASEAN economic collaboration, such as the "growth triangles" (for example, Indonesia-Malaysia-Singapore), such collaboration has usually involved bilateral, not multilateral, linkages.

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Hence, while economic co-operation will become the new locomotive for ASEAN solidarity — and not ideological and security imperatives — this co-operation, if not judiciously managed, can turn into rivalry and wasteful competition to the detriment of its members. One has heard complaints about Singapore–Malaysia rivalry in financial and IT (information technology) ventures, or the ambivalence of Indonesia–Malaysia co-operation in rubber and palm oil where both are the world's top producers, or the Philippines' rebuff of Malaysian investments in its hotel industry.[6] These are but a few examples of the nature and extent of the problem. Both the value and number of traded items in intra-ASEAN trade covered under the Preferential Trading Arrangements (PTA) are still limited and some states have experienced difficulties in coping with this new economic arrangement. It can also be expected that the ambitious, albeit inevitable, ASEAN Free Trade Area (AFTA), which is expected to come into full swing between 2003 and 2006, will have an uneven impact on the individual states in the grouping. Those states which are able to focus more on the export of manufactured products and skill-intensive and capital-intensive goods and services, such as telecommunications, electrical components, computers and the like, will invariably have a greater competitive advantage than others.

Hence, despite the regular assurances from ASEAN leaders that intra-ASEAN economic relationships are characterized by "complementation", the name of the game seems to be "competition". This inevitable increase in competition for goods and markets — coupled with the eclipse of a "common enemy" (the communist threat from Indochina) within the region which propelled the ASEAN states to unite and rally together in the first place — may lead to new frictions and tensions within the new enlarged group, if adequate mechanisms are not put in place. The challenge for ASEAN, where feasible, is to creatively turn and redirect competition elsewhere instead of between states within the grouping — such as the idea mooted by Rafidah Aziz, Malaysian Minister of Trade and Industry, of some kind of an ASEAN Incorporation — namely, a combined ASEAN team which, together, with greater access to finance and technology, and other infrastructural support, can have stronger bargaining power *vis-à-vis* the big economic players (either the huge multinational corporations or other regional groups).[7]

Coping with an Enlarged and Diversified ASEAN

ASEAN's membership will increase from seven to ten with the entry of Cambodia, Laos and Myanmar.[8] At the symbolic level, this new

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development arguably sets a new benchmark for regional solidarity for the rest of the world, and at the economic level, the potential gains to be reaped by the member-states will be big. However, the gap and gulf that divide the capitalist and former communist states and Myanmar are conspicuously wide. Not only are their demographic features very different and heterogeneous — in terms of size, population, race/ethnicity, religion, and social stratification — but for the new entrants, there is the added difficulty of having to cope with not only the attendant problems consequent to their political and ideological transformation but the reality that they are at the lowest levels of economic development *vis-à-vis* the founding member-states. (See Table 1 regarding the diversity of the new ASEAN Map). It is thus uncertain how these new states will finance their responsibilities as ASEAN members — including having to attend the more than 400 annual ASEAN meetings.

Maintaining Intra-ASEAN Resilience Against Power Rivalries in the Region

Given the lure of economic prosperity in Southeast Asia — which, in all probability, will increase in the next century — the region will not be left alone by the major powers. It is in their own interest that they get even more involved in Southeast Asia. While the United States' role is generally welcomed, it is still uncertain to what extent it is prepared to give priority to this part of the world, when compared to its own backyard, or Europe and elsewhere. It is also unclear as to the larger and long-term agendas of China and Japan, both of which will assume a more pronounced military and political clout in the Asia-Pacific. Against such uncertainties must also be considered newer regional powers, such as India and Vietnam. How ASEAN as a group succeeds in maintaining its resilience and solidarity amidst these emerging and unpredictable power permutations will have a bearing on its own prosperity and on the stability of the region as a whole.

What about unresolved issues such as the Spratly Islands, the Muslim problem in the Philippines, and the problem of transnational migration flows in countries such as Thailand, Philippines and Malaysia? Additionally, how should the ASEAN states deal with future bilateral crises within the ASEAN family — as in the recent hiccups between Malaysia and Singapore?[9] And, in a relatively peaceful and prosperous region, how can one rationalize the increase in military and defence spending by most ASEAN member-states in recent years, as revealed by the military publications such as Jane's and those by SIPRI?

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Domestic Challenges in Individual ASEAN Countries

Global trends in recent years, plus rapid technological developments, and the greater access to education and better standards of living in the ASEAN states, have given rise to a more educated and politically aware population in each state, irrespective of its political system. It is to be expected that the pressure for political pluralism — in which democracy is its integral axis — will grow. Far from disappearing, the greater the economic growth, the more can ethnic, religious and class issues and antagonisms come to the fore. Since the stability of ASEAN as a group is subject to the stability of its individual member countries, it can only continue its business as usual if its constituent members are able to take care of their own domestic challenges.

Besides democratic pressures, there could be other domestic issues of concern, such as leadership succession, the urban-rural divide, the class gap between the haves and have-nots, the impact of rapid change upon certain levels of the social strata, the question of values and identity, and many other developmental issues.

Sustaining an ASEAN Identity in an Age of Globalization

The further shrinking of the world community into a global village in the new millennium will pose a big paradoxical challenge to ASEAN — on the one hand, maintaining its distinctive identity as a regional entity with its attendant unique Southeast Asian characteristics, and on the other, engaging actively as a member of an open, borderless world, given the inevitable pressures posed by the rapid and irreversible advances in information technology, manifested in the Internet. The new forms of global collaboration and competition that are bound to escalate in the years ahead can impose some strain and tension on the content and contours of ASEAN's future make-up and identity. In this regard, it is to be observed that while every ASEAN state has adopted a pro-ASEAN foreign policy, very little has been done by these states to socialize and educate their citizens, especially the young, on the value, and hence relevance, of ASEAN to their future. Therefore, the challenge for the ASEAN leaders is to sustain the group's identity, and relevance, amidst impending changes in the new world order — changes that can, if not creatively approached, loosen the "ASEAN Spirit".

Conclusion

ASEAN has achieved much and is beyond doubt a splendid model of a successful regional grouping. Entering a new millennium, in an era of rapid change, ASEAN's continued relevance and resilience will hinge

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on how much its new generation leaders are able to further foster the "ASEAN Spirit" and the "ASEAN Way" via creative initiatives and other strategies that will benefit both individual member-states and ASEAN as a whole.

Change is, after all, the only constant or permanent feature of human civilization. Hence, to continue to progress well into the next century, ASEAN has no other viable alternative but to ingeniously and creatively manage this impending change — which has already begun, and whose pace will almost invariably be more rapid, complex and demanding, given the logic of technological discovery. So too with the tremendous developmental opportunities at hand for the new ASEAN èlites to countenance. With a characteristic readiness to work together towards a common destiny, and some luck, the grouping can aspire to even greater heights of achievement in the new age.

NOTES

1. This idea was first publicly raised by the Malaysian Foreign Minister then. See *Straits Times* (Singapore), 5 May 1989.
2. For a short write-up of this idea before its official launching, see *Sunday Times* (Singapore), 17 July 1994.
3. See an appraisal of this aspect of ASEAN's effective diplomacy in C.P.F. Luhulima, "The Third ASEAN Summit and Beyond", *Indonesian Quarterly* 7, no. 1 (1989): 12–28, esp. p. 21.
4. This latter term was originally of Arabic origin, *mu'afakat*.
5. This policy has been articulated by different foreign ministers within ASEAN in *BBC News, "East Asia Today"*, 23 April 97 and a statement from Singapore's Foreign Minister, S. Jayakumar, published in the *Straits Times* (Singapore), 2 May 1997.
6. See a recent critique by a leading Indonesian entrepreneur, Sofjan Wanandi, in "Viewpoints", *Asiaweek*, 18 April 1997, p. 68.
7. Ibid.
8. Almost all existing ASEAN leaders openly welcome the two Indochinese states and Myanmar. See a recent interview with the Malaysian Prime Minister, Dr Mahathir Mohamad, in *Asiaweek*, 9 May 1997, p. 32.
9. Senior Minister Lee Kuan Yew's remarks, in a court affidavit, about Johor (Malaysia's southern-most state, closest to Singapore) being an unsafe place — of muggings, car-jackings and shootings — have antagonized the Malaysian Cabinet and people. Despite his unreserved apology, the bitterness of the episode lingered on and was covered prominently in the mass media of both countries throughout April and May 1997. See a sample of a recent coverage in the *Sunday Times* (Singapore) of 4 May 1997, under the special segment "Sunday Review".

Hussin Mutalib is a Senior Lecturer in the Department of Political Science, National University of Singapore.

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The Territorial Disputes between China and Vietnam and Regional Stability[1]

*RAMSES AMER**

This article deals with the territorial disputes between China and Vietnam and their impact on regional stability. Attention is focused on the developments since normalization of bilateral relations in November 1991. The evolution of relations has displayed an overall constructive approach to the border disputes with continuous bilateral talks at different levels. However, there have been periods of tension in relations caused by actions, mainly by China, relating to the territorial disputes. The most recent example was the Chinese move to start drilling for oil in March 1997 in an area of the South China Sea claimed by Vietnam. It is argued that such periods of recurring tension have negative implications not only on bilateral relations but also on regional stability. It is therefore important that both sides refrain from actions which might alter the status quo. To achieve that condition, it is suggested that China and Vietnam reach an agreement on a "code of conduct", possibly along the lines of the "code of conduct" agreed by the Philippines and China, and the Philippines and Vietnam, respectively, in 1995.

Introduction

The main aim of this article is to investigate how China and Vietnam are managing their border disputes. It also attempts to assess the impact of Sino-Vietnamese border disputes on regional stability following the normalization of bilateral relations in November 1991. A background

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section traces the importance of the border disputes and the way in which they were managed in the period up to 1991. The main part of the article is devoted to their evolution from 1992. In the concluding section, the efforts of the two countries to manage their border disputes are analysed and assessed with a view to explaining the progress achieved as well as the periods of increased tension in recent years. Finally, the impact of Sino-Vietnamese border disputes on the security situation in the region is discussed by identifying the positive and negative repercussions arising from the way the disputes are handled and the actions taken by the two countries.

The Territorial Disputes

The territorial disputes between China and Vietnam encompass overlapping claims to water and continental shelf areas in the Gulf of Tonkin, and competing sovereignty claims over the Paracel and Spratly archipelagos. Furthermore, China's claim to so-called "historical waters" in the South China Sea overlap Vietnam's claims to both an Exclusive Economic Zone (EEZ) and continental shelf areas east of the Vietnamese coast. Of relevance in this context is the disputed land border between the two countries.

The Territorial Disputes in Sino-Vietnamese Relations

Background

The colonial era produced boundary agreements between France and the Chinese Empire relating to the land border and the Gulf of Tonkin. No agreement was reached with regard to the Paracel and Spratly archipelagos in the South China Sea.

During the period 1954–75, border issues were of secondary importance to the Democratic Republic of Vietnam (DRV) and China, compared to the war effort in the south of Vietnam. In fact, the DRV never claimed sovereignty over the Paracels and Spratlys and even went as far as making statements which could be interpreted as recognizing China's sovereignty. Following the French withdrawal in the mid-1950s, the Republic of Vietnam (ROV) claimed that the two archipelagos were Vietnamese territory and took control over the western parts of the Paracel archipelago and several islands in the Spratly archipelago. In 1956 China seized the eastern part of the Paracels; and in January 1974, following a short war against the ROV, China took control of the whole archipelago.

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Sino-Vietnamese Relations, 1975–91: From Conflict to Normalization

After 1975, the Vietnamese leadership in Hanoi began to assert Vietnam's sovereignty claims over the two archipelagos in the South China Sea. The islands in the Spratly archipelago previously controlled by the ROV were taken over by the new authorities.

Beginning in 1974, border clashes occurred along the common Sino-Vietnamese land border and they increased sharply in 1978 as the overall bilateral relationship deteriorated because of other issues, especially differing perceptions of the Soviet Union; relations to, and influence in, Cambodia; and the issue of the ethnic Chinese in Vietnam. The major point of controversy with regard to the land border was Vietnam's claim that the Sino-French Convention on the delimitation of the border of 1887 had been to its detriment and that this situation had to be rectified. This period also saw some bilateral negotiations with regard to the Gulf of Tonkin but they failed as a result of the overall deterioration of relations, leading to China's attack on Vietnam in February–March 1979. Bilateral negotiations in 1979 and the early 1980s also failed to bring the parties to any agreement on the many disputed issues. Interestingly enough, the territorial conflicts became increasingly publicized following the Chinese attack on Vietnam in February-March 1979, not only the land border (which was the scene of the military activities) but also claims to the Paracel and Spratly archipelagos in the South China Sea. This was part of efforts by the two sides to underscore their respective claims on the international stage.[1]

The 1980s was a period of continued tension and up to early 1988 the military confrontation was concentrated along the land border. However, in March 1988 tension increased in the Spratly archipelago and led to a naval clash. Vietnam suffered some casualties in the brief battle and China managed to get a foothold in the archipelago by seizing some of the islands. Paradoxically, during the second half of 1988, the tension along the land border decreased and by the end of the year cross-border trade resumed.

Following a slow normalization process, which began with low-level contacts in the mid-1980s, expanded to high-level meetings by the end of the decade, and gained momentum from mid-1991, bilateral relations were fully normalized during a visit to Beijing in November 1991 by the Secretary-General of the Communist Party of Vietnam (CPV), Do Muoi, and Vietnamese Prime Minister, Vo Van Kiet.

The border disputes were not resolved during the normalization process but the two parties agreed to settle the land border dispute and other territorial issues peacefully through negotiations. In a joint

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communiqué on the normalization of relations, point five was devoted to the territorial disputes. Most attention was focused on the land border and the need to maintain peace and tranquillity as well as the need to encourage border inhabitants to restore and develop "traditional friendly exchanges" with the goal of turning the border into one of "peace and friendship". The two sides also signed a "provisional" agreement on the handling of border affairs. Finally, they agreed to settle all their territorial disputes peacefully through negotiations.[3]

The Border Disputes in Sino-Vietnamese Relations Since Normalization in 1991

A Good Start Turns into Tension: January to Mid-September 1992

The year 1992 began with overall good relations. In February, China's Foreign Minister visited Vietnam and an agreement was reached to establish working groups to discuss the territorial disputes.[4] However, during 1992 China made several moves which again brought tension to bilateral relations. First, in February 1992 China passed a new law on territorial waters which stipulates that the Paracel and Spratly archipelagos and most of the South China Sea are to be regarded as part of its national territory.[5] Secondly, in May 1992 China signed an agreement with the Crestone Energy Corporation, a U.S. company, for oil and gas exploration and exploitation in a 10,000-square mile area in the South China Sea. Vietnam reacted negatively and claimed that the area was located on its continental shelf.[6] Thirdly, in July, Vietnam accused China of having landed troops on "Da Lac coral reef" in the Spratly archipelago.[7] Fourthly, tension increased further in September when China began drilling for oil in a disputed area of the Gulf of Tonkin, which prompted Vietnam to protest.[8] It should also be noted that on 11 September Vietnam announced that since June 1992 nearly twenty Vietnamese ships transporting goods from Hong Kong had been seized by China. Following official Vietnamese requests, China released some of the ships.[9]

In the context of the border disputes, it should be noted that continued differences of opinion regarding the demarcation of the land border prevented the resumption of rail traffic between the border provinces of Lang Son and Guangxi. Vietnam accused China of occupying a stretch of some 300 metres of the railway, inclusive of Vietnam's pre-1979 end-station.[10] However, border crossings were opened in early 1992.[11]

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Negotiations on the Border Issues Dominate Bilateral Relations: Mid-September 1992 to March 1994

The border problems were discussed during a visit by one of China's deputy foreign ministers to Hanoi on 18–21 September 1992, but no agreement was reached. However, the two sides agreed to hold talks on the land border and other territorial disputes in Beijing in October.[12] The October talks were the first to be held between experts from the two countries. They reportedly took place in a "friendly and frank" atmosphere and the two sides exchanged views on how to solve the border issues. It was agreed that the next round of talks would concentrate on the land border.[13]

The visit by Chinese Prime Minister Li Peng to Vietnam from 30 November to 4 December 1992 provided an opportunity to ease tensions and to address the border issues at the highest political level. Agreements were reached on co-operation in various fields, but no significant progress was reported with regard to the conflicting claims in the South China Sea. However, both parties emphasized that the differences would be settled through negotiations.[14] Following Prime Minister Li Peng's visit, the territorial issues continued to be a source of controversy and were discussed in connection with the Vietnamese Defence Minister's visit to China later in December.[15]

In February 1993, experts from the two countries held their second round of border talks in Hanoi.[16] In May 1993, China's Defence Minister paid a visit to Vietnam and the border issues were discussed.[17] In August 1993, a Vietnamese government delegation visited Beijing for border talks and the two sides reached a "general understanding and consensus" on "fundamental principles" for solving the territorial issues. The discussions addressed not only the disputes relating to the land border and the Gulf of Tonkin but also the Spratly dispute.[18] In October, a Chinese government delegation headed by Vice Foreign Minister Tang Jiaxuan visited Vietnam for talks on the territorial disputes. During the talks, the two sides formally signed, on 19 October 1993, an agreement which included basic principles for settling the disputes relating to the land border and to "dividing" the Gulf of Tonkin. Furthermore, the two countries were to concentrate their efforts on resolving these two disputes while at the same time continue talks on other maritime issues, that is, in the South China Sea. They agreed to set up joint working groups at the expert-level to deal with the land border and Gulf of Tonkin issues.[19]

A visit by Vietnam's President, Le Duc Anh, to China from 9 to 15 November gave the two sides another opportunity to continue the dialogue at the highest political level. The territorial disputes were

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discussed and both sides "contended" with the recent agreement on principles for resolving the "border issues". They also "asserted" the necessity to settle the "remaining issues" relating to land and sea borders through negotiations in order to find a solution which would meet the "aspiration and interests" of both China and Vietnam.[20]

During the first quarter of 1994, joint working groups at the expert-level were set up and began to hold talks on the land border and the Gulf of Tonkin. The first meeting of the joint working group on the land border took place in Hanoi on 22–25 February. Both sides agreed on the contents and procedures of their "tasks" and decided that the second round of talks would be held in Beijing.[21] In late March, the joint working group on the Gulf of Tonkin held its first meeting in Hanoi and discussed the working procedures and issues related to the "demarcation" of the Gulf.[22]

Renewed Deep Differences on the South China Sea: April–June 1994

Sharp differences between China and Vietnam continued to persist with regard to Crestone Energy Corporation's activities in an area of the South China Sea which Vietnam claims to be within its Exclusive Economic Zone (EEZ) and its continental shelf. In April, Vietnam launched official protests against seismological surveys carried out by Crestone in the "Tu Chinch coral reef" area.[23] On 5 May, a spokesman of Vietnam's Foreign Ministry emphasized that the Tu Chinh area "lies fully" within Vietnam's EEZ and continental shelf and that there was no disputed area there.[24] The tension in the area was further increased when on 10 May a spokesman of China's Foreign Ministry was reported as saying that "the Blue Dragon sea area belongs to the adjacent waters of the Nansha islands", that is, the Spratlys. He also stated that an exploration contract signed between Vietnam and American Mobil Oil Company in the Blue Dragon oil field was "illegal".[25] The following day the Vietnamese Foreign Ministry, as a reaction to the Chinese claim, reiterated that the areas of "Tuchinh" and "Thanhlong" are located within Vietnam's EEZ and continental shelf and thus entirely under Vietnam's sovereignty. Furthermore, it was stated that Vietnam "has the sovereign right to explore and exploit natural resources in these areas" and no "other country" had the right to interfere in this matter. Finally, it was emphasized that the two areas "are in no way related" to the Spratly archipelago or its adjacent waters.[26]

On 12 May, the spokesman of the Chinese Foreign Ministry stated that any contract signed by Vietnam with oil companies for prospecting and exploiting oil deposits in the waters around the Spratly Islands would be infringing on China's "rights and interests". According to

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China, such contracts were illegal. It was also stated that the "Lanlong Sea" is located within the waters of the Spratly archipelago.[27] On the same day, the Voice of Vietnam broadcasted a commentary reiterating the Vietnamese stand with regard to the activities of Crestone Energy Corporation in areas within Vietnam's EEZ and continental shelf. The commentary also reaffirmed that the Tu Chinh area is situated within Vietnam's EEZ and continental shelf and that it is in "no way" related to the Spratly archipelago or the adjacent waters.[28]

In an interview with the *Straits Times* (Singapore), published on 19 May, Vietnam's Prime Minister was quoted as reiterating Vietnam's position and refuting China's sovereignty claims to the "Blue Dragon oilfield". He, nevertheless, said that Vietnam would try to resolve the issue by "peaceful means". He also addressed the issue of overlapping Chinese and Vietnamese sovereignty claims to the Paracel archipelago by stating that it was a separate issue from the Spratly dispute and that it was "strictly between" China and Vietnam. He also said that he favoured a negotiated settlement of the Paracel dispute. Finally, in responding to reports about a Chinese buildup of its striking capability in the area by deploying warplanes to the Paracels, the Prime Minister said that it was "unlikely" that force would be used by either side as it would not benefit China and Vietnam "to go to war".[29]

After this flurry of Chinese and Vietnamese claims, counter-claims and rebuttals of the other side's viewpoints during the first half of May, a period of relative calm followed during which the two countries refrained from openly publicizing their differences.[30] This relative calm was temporarily interrupted in mid-June.

On 16 June, a spokesman of the Chinese Foreign Ministry made a statement demanding "once again" that Vietnam put an end to its "acts of infringement" against China's sovereignty. He said that since mid-May Vietnam had sent exploratory vessels to "Wan'an Reef" (Vanguard Bank) located in the "area" of China's "Nansha" — that is, the Spratly area — and reiterated that China has "indisputable" sovereignty over the Spratly Islands and their adjacent waters. The Chinese spokesman also complained that Vietnam had "repeatedly harassed" the scientific surveys and fishing activities of Chinese vessels in the area and these actions had also "seriously" violated Chinese sovereignty and put in "serious jeopardy" the contract between China National Offshore Oil Corporation and Crestone Energy Corporation.[31]

Vietnam's response came the next day through a statement by a spokesman of the Vietnamese Foreign Ministry. He refuted the Chinese claim that the Tu Chinh area — called "Wan'an Reef" by China — is part of the Spratlys. He also said that the Chinese contract with Crestone Energy Corporation was in defiance of the "principles" of international

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law and practice. He went on to reiterate the "undeniable fact" that the Tu Chinh area is located "entirely" within Vietnam's EEZ and continental shelf. The statement concluded with a call to China not to make statements or act in violation of Vietnam's "undeniable" sovereignty over the Tu Chinh area since this would be detrimental to bilateral relations and contrary to the efforts to promote peace and stability in the region.[32]

Border Disputes are Gradually Brought Under Control: Late June to November 1994

In late June and early July 1994, Sino-Vietnamese interaction shifted from acute differences on the South China Sea to one of talks. The second round of talks of the joint working group on the land border was held in Beijing on 25 June to 1 July; a Vietnamese army delegation led by Senior Lt.-Gen. Le Kha Phieu (a Politburo member) visited China and the joint working group on the delineation of the Gulf of Tonkin held its second round of talks in Beijing on 4–8 July. No substantial progress was reported from the meetings of the joint working groups.[33]

Interestingly enough, the talks on the Gulf of Tonkin did not seem to have been affected by the protest of the Chinese Foreign Ministry on 4 July against Vietnam's seizure of Chinese fishing boats in the Gulf on 2 July. China called for the immediate release of the Chinese fishermen and boats and demanded that no such incidents should occur in the future so as not to impair friendly relations and in order to create a good atmosphere and good conditions for ongoing bilateral talks on the "territorial issue".[34] The following day, a spokesperson of the Vietnamese Foreign Ministry told reporters that Chinese boats had been seized in two separate incidents in the Gulf of Tonkin, on 2 and 3 July. During the second incident, one Chinese boat opened fire, according to the Vietnamese version. Furthermore, the spokesperson "affirmed" that the Chinese boats had violated Vietnam's territorial waters and that the seizure of the boats was in accordance with Vietnamese and international law. He went on to state that the Vietnamese side was still carrying out its investigation and that the seized boats would be dealt with in conformity with the above laws and in "line" with relations between Vietnam and China. Finally, he stated that Vietnam had requested China to "immediately cease" sending boats to Vietnamese waters for illegal fishing and violently opposing Vietnamese inspection vessels.[35]

In connection with the ASEAN Ministerial Meeting (AMM) and the inaugural meeting of the ASEAN Regional Forum (ARF) held in Bangkok during the later part of July, the foreign ministers of China and

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Vietnam met to discuss bilateral relations in general, and the territorial disputes in particular. According to a report carried by the Thai newspaper, *The Nation*, quoting China's foreign affairs spokesman Shen Guofang, the two sides had agreed to hold talks at the level of vice foreign minister to discuss joint development in the area of conflicting territorial claims in the South China Sea. The talks between the two foreign ministers led to an agreement on the basic principles concerning the territorial disputes. Mr Shen was quoted as saying that "positive progress" had been made in negotiations between the two "governments" and that this had laid a good foundation for a "proper settlement of border and territorial questions through peaceful negotiations". Furthermore, the newspaper quoted the Vietnamese Foreign Minister as saying that both countries had agreed to "exercise self-restraint and not do anything to make the situation deteriorate".[36]

The second round of government-level talks was held in Hanoi on 14–18 August between a Chinese government delegation headed by Vice Foreign Minister Tang Jiaxuan and a Vietnamese delegation headed by Vice Foreign Minister Vu Koan. According to a report by Xinhua News Agency, the two sides reviewed the talks and progress made by the expert working groups on the land border and the Gulf of Tonkin. The two sides also achieved some "common understandings" during their "candid" exchange of views on the Spratly issue. It was agreed that the territorial issues, including the Spratlys, should be settled through negotiations and that both sides refrain from the use or threat of force. Furthermore, it was agreed that the territorial disputes would not be allowed to affect the "normal" development of bilateral relations. Tang Jiaxuan also met with Vietnam's Foreign Minister and they both stressed the friendly relations between the two countries and their commitment to settle the territorial issues.[37] The Vietnamese reports from the border talks concurred with the Chinese version on most points, with the notable difference being that Vietnam referred to "issues related to the East Sea", that is, the South China Sea, instead of only the Spratly issue, as was referred to by China. Reportedly, Vietnam reaffirmed its sovereignty claims to the Paracel and Spratly archipelagos and stressed the "preservation" of its sovereignty, sovereign rights and jurisdiction over the territorial waters and continental shelf.[38]

Of interest in this context are the statements made by the Vietnamese Vice Foreign Minister Vu Koan in an interview published by the Japanese newspaper *Sankei Shimbun* on 22 August. He was quoted as saying, with regard to China's proposal to engage in joint development in the South China Sea, that the problem was to agree on which area to jointly develop. He went on to argue that the Chinese contract with an "American company", that is, Crestone, was within Vietnam's EEZ and

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continental shelf and not linked to the conflict over the Spratly archipelago. He concluded that China's "intention" in proposing joint development was an attempt to justify a Chinese presence within Vietnamese waters under the "name" of joint development.[39]

The border talks in August was followed by a period of good bilateral relations leading up to the visit by Jiang Zemin, Secretary-General of the Central Committee of the Chinese Communist Party (CCP) and Chinese President, to Vietnam in November.[40] Talks continued during that period, with the third session of the joint working group on the land border held in Hanoi on 22–27 October. The meeting reportedly took place in an atmosphere of "friendship, sincerity, frankness and mutual understanding".[41] The only indication of tension was a Chinese protest against Vietnam inviting foreign investors to submit tenders to develop the Gulf of Tonkin, and it was stated that the Chinese Government had "declared" that foreign companies would not be allowed to engage in activities "violating China's rights and interests" in the Gulf of Tonkin. Vietnam did not respond to the Chinese protest as such but issued a statement demanding that China should "inform its own people to stop their chronic violations" of Vietnam's territorial waters and EEZ. It is notable that both sides also elaborated on the bilateral efforts aimed at achieving a "delimitation" of the area through negotiations.[42]

In the joint communiqué issued during Jiang Zemin's visit, the bilateral border disputes were addressed and the two sides "reaffirmed" that they would "persist" in peaceful negotiations as the avenue to solve their "boundary and territorial issues". They also agreed to "strive" for an "early" settlement of the disputes relating to the land border and the Gulf of Tonkin in accordance with the agreement on basic principles reached in October 1993, while at the same time pursuing negotiations on the "issue involving the seas" in order to seek a "basic and long term" solution which would be acceptable to both sides. It was also agreed to establish "an expert group to deal with issues involving the seas". Pending a settlement of the territorial disputes, they would refrain from "taking actions" which would "complicate or enlarge the disputes", and from using or threatening to use force.[43] However, from statements made by the two foreign ministers in connection with the summit in Hanoi, neither side had renounced their sovereignty claims to the Paracels and Spratlys. The Vietnamese Foreign Minister also stated that the issue of oil exploitation in the South China Sea was not discussed at the summit.[44]

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Stability in Bilateral Relations and Continued Talks on Border Issues, including the South China Sea: December 1994 to March 1996

Following these high-level talks, the territorial disputes were primarily handled through peaceful negotiations during the remainder of 1994 and into 1995. The third round of talks of the Sino-Vietnamese working group on the "demarcation" of the Gulf of Tonkin met in Hanoi on 20–22 December 1994 in a reportedly "friendly and frank atmosphere".[45] The joint working group on the land border was convened for its fourth round of talks in Beijing on 16–23 January 1995. The talks reportedly took place in an atmosphere of "friendship, sincerity, frankness and mutual understanding". Furthermore, the talks resulted in "certain positive progress".[46] Seemingly, the talks on the land border were not affected by the statement on 21 January by the Chinese Foreign Ministry urging Vietnam to cease its geological surveys in the Spratlys as such activities encroached on China's territorial sovereignty.[47] Vietnam responded on 23 January by refuting China's claim that Vietnam was violating Chinese sovereignty in the Spratlys and reiterated its own sovereignty claim to the archipelago.[48]

Meanwhile, in late March the fourth round of talks by the joint working group on the Gulf of Tonkin was held in Beijing. No details about the talks were released.[49] In mid-May, Vietnam's Foreign Minister visited Beijing to hold talks with his Chinese counterpart and they discussed the territorial disputes as well as the overall relations between the two countries. Both sides concurred on the need to settle the territorial disputes through peaceful negotiations.[50]

This high-level meeting was followed by continued talks on border issues at the expert and government levels. On 22–27 May the joint working group on the land border held its fifth round of talks in Hanoi, reportedly in an atmosphere of "friendship, sincerity, frankness and mutual understanding", and resulting in "some progress".[51] On 20–22 June, the joint working group on the Gulf of Tonkin held its fifth round of talks in Hanoi and the two sides exchanged views on issues relating to the "delineation" of the Gulf. No progress was reported but the two sides agreed to continue their negotiations.[52] On 11–13 July the third round of talks on the border issues at government-level were held in Beijing. The progress made at the discussions at the expert-level relating to the land border and the Gulf of Tonkin were reviewed and the two sides discussed steps to "speed up the negotiation process". They also announced that a "joint group of experts on sea border" had been formed to work on the territorial issues in the South China Sea.[53] The joint working group on the land border held its sixth session of

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talks in Beijing on 9–14 October. Reportedly, the talks took place in an atmosphere of "friendship and frankness" and some "positive moves" were reached.[54] According to a statement on 19 October by the spokeswoman of the Vietnamese Foreign Ministry, the two sides agreed to a "number of technical measures leading to the signing of a border agreement".[55]

In-mid November, the "Sino-Vietnamese expert group on maritime issues" held its first round of talks in Hanoi. Xinhua News Agency reported that the two sides exchanged views on the work procedures and on "substantive" matters. The talks were reportedly conducted in a "friendly, positive and realistic atmosphere" and the two sides reached consensus on "work procedures" for the settlement of the Spratly dispute through bilateral negotiations in the "future". Xinhua News Agency also reported that the Chinese delegation had reiterated that China had "indisputable" sovereignty over the Spratly Islands and the surrounding waters and that China favoured a settlement of the Spratly dispute by peaceful means. Furthermore, China was willing to settle the dispute through "bilateral" negotiations and consultations in accordance with "legal principles" and international law, including the 1982 United Nations Convention on the Law of the Sea (UNCLOS). Finally, if the dispute could not be settled, the two sides could as a temporary measure "put it aside" and "seek" joint development or co-operation.[56]

It was in this atmosphere of ongoing dialogue on the border issues that the Secretary-General of the CPV, Do Muoi, arrived in China for a summit meeting on 26 November, accompanied by Vietnamese Foreign Minister Nguyen Manh Cam. In Beijing, Do Muoi held talks with his Chinese counterpart Jiang Zemin, the Prime Minister, the Chairman of the Standing Committee of the National People's Congress, and the Chairman of the Chinese People's Political Consultative Conference. The border disputes were discussed during these talks and also during the talks between the two foreign ministers.[57] The joint communiqué issued on 2 December addressed the border disputes and the two sides agreed to "properly" resolve the "issue of territory along the borders" on the basis of international law, international "practices", and through peaceful negotiations. In the context of economic co-operation, it was announced that the two sides had reached agreement "in principle" on railway "transportation linking" the two countries.[58]

In an interview with the Voice of Vietnam, following the visit to China, Vietnam's Foreign Minister elaborated on the discussions on the border disputes and on the railway agreement. He stated that on the "basis" of the progress made in "recent" talks at the expert-level on

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the land border issue, China and Vietnam had agreed on "various principles to open the border rail route". Furthermore, the agreement in principle, signed by the two sides, would serve as a "basis" for the Vietnamese Ministry of Communication and Transport and the Chinese Ministry of Railways to "discuss and implement" the "opening of the border rail route". He went on to confirm that expert-level talks relating to the land border, the Gulf of Tonkin and the South China Sea would continue. In this context, the statement relating to the land border is notable. The Foreign Minister said that the two parties had agreed that in order to create favourable conditions to resolve the land border issue and "achieve" the "signing" of a treaty "as soon as possible", all conflicts in the "border areas" should be resolved "quickly" and on the "spot".[59]

During the months of January and February 1996, bilateral relations were focused on the preparations for the resumption of railway traffic. Discussions between the Chinese Ministry of Railways and the Vietnamese Ministry of Communication and Transport were held in late January, and customs procedures were announced on 31 January. Furthermore, work on the repair and upgrading of the two railway links was carried out, thus making it possible to resume traffic on 14 February.[60] On the occasion of the official resumption of traffic, the vice foreign ministers of the two sides met in Lang Son to review the implementation of earlier bilateral agreements and to "speed" up negotiations on the territorial disputes.[61] A visit to Vietnam in January by a military delegation from the Chinese province of Guangzhou also gave the opportunity to discuss such issues, as well as the maintenance of "order" in border areas and ways of strengthening "border defence" cooperation through "dialogue".[3] These events and meetings overshadowed the seventh round of talks of the joint working group on the land border issue held in Hanoi in January. It was reported that the talks led to "positive developments".[63]

In this atmosphere of good bilateral relations and ongoing dialogue on the border issues, the two prime ministers met in connection with the Asia-Europe Summit in Bangkok in early March. Li Peng stated that the two countries had reached "consensus" on the border issues. In reference to specific disputes, he said that negotiations on the land border had "entered the substantial stage" and that talks on "demarcating" the Gulf of Tonkin were about to be resumed. Vo Van Kiet reportedly "agreed and welcomed Li's views".[64]

The dialogue on border issues continued during the month of March with the sixth round of talks of the joint working group on the "delineation" of the Gulf of Tonkin held in Beijing on 5–8 March. The

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talks reportedly took place in an atmosphere of "friendship and frankness" and focused on the "scope, contents and legal basis" of the "demarcation" of the Gulf.[65]

Renewed Tension Relating to the South China Sea: April and May 1996

The dialogue over the border issues was brought to an abrupt, albeit temporary, halt during the months of April and May 1996. In April, controversy erupted following the signing of a "business" contract between Petrovietnam and Conoco Vietnam Exploration and Production B.G., a U.S. company, for the exploration and exploitation of "oil plots 133 and 134" in the South China Sea. Vietnam insisted that the lots were located within its continental shelf and that the area was "completely" under Vietnam's sovereignty and jurisdiction.[66] China viewed the contract as an encroachment on its sovereignty and of its "marine rights and interests" and reiterated its "indisputable" sovereignty over the Spratly Islands. In fact, the spokesman of the Chinese Foreign Ministry claimed that the "entire" area encompassed by the contract was located within the area of the "Wan'antan Bei-21 contract" between the China National Offshore Oil Corporation and Crestone Energy Corporation.[67]

The other source of tension emerged on 15 May when China issued a statement defining the baselines of its territorial sea adjacent to the Chinese mainland and to the Paracel islands, in accordance with the 1992 law on the territorial sea and contiguous zone.[68] Vietnam responded through a Foreign Ministry statement, which reiterated Vietnam's stand that the Chinese law of 1992 stipulating that the Paracel and Spratly archipelagos were Chinese territory violated Vietnamese sovereignty. It was also stated that "China's delineation of the baseline" around the Paracel archipelago was a "severe violation" of Vietnam's territorial sovereignty. The statement also reiterated Vietnam's sovereignty claims to the two archipelagos.[69] Nevertheless, there were some positive signs as the eighth round of talks of the joint working group on the land border held in Beijing on 6–11 May reportedly made "positive progress".[70]

Stability Returns followed by Expanding Relations: June 1996 to February 1997

The Eighth National Congress of the CPV, held in late June 1996, gave the Chinese and Vietnamese leaderships the opportunity to display the good and close bilateral relations between the two countries and the

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two ruling parties. The Chinese delegation was headed by Prime Minister Li Peng. The activities of the Chinese delegation in Vietnam was given extensive coverage, particularly by Xinhua News Agency which hailed the visit as "very significant".[71] Li Peng and his delegation met with the Secretary-General of the CPV, Vietnam's Prime Minister and Foreign Minister. He also delivered a speech at the CPV Congress in which he indirectly referred to the territorial disputes by stating that the two sides would continue their efforts to reach "solutions" to "some unresolved problems" in the spirit of "friendly consultation and seeking common ground while reserving differences".[72]

The visit by the Chinese Prime Minister and the CCP delegation to Vietnam was followed by the second round of talks by the joint expert group on the "sea issues", held in Beijing on 2–7 July. Reportedly, the talks were held in an atmosphere of "friendship and frankness". The Vietnamese version stated that the two sides compared notes on the "sea issues", inclusive of the question of sovereignty, over the Paracel and Spratly archipelagos, and agreed that they would continue to seek "long term and basic resolutions" on the basis of international law, including the 1982 UNCLOS.[73]

The talks at the expert level has continued, as can be seen from the seventh meeting of the joint working group on the delineation of the Gulf of Tonkin held on 5–7 August. According to the Vietnamese report, the two sides agreed to solve "all border issues" according to the principles agreed upon in October 1993.[74] On 20 August it was announced that the Tra Vinh-Lung Ping border gate between the Vietnamese province of Cao Bang and the Chinese province of Guangxi had been opened, following an agreement at the government level, aimed at facilitating commercial and cultural exchanges between people in the border areas.[75]

During the rest of 1996 and into 1997, frequent visits by government, party and military delegations took place between the two countries, emphasizing their expanding bilateral links. Some notable visitors were Senior Lt. Gen. Fu Quanyou, Chief of General Staff of the Chinese People's Liberation Army to Vietnam in late August,[76] Vice Minister of National Defence Nguyen Thoi Bung to China in October,[77] and Qiao Shi, Chairman of the Standing Committee of the National People's Congress, who visited Vietnam during the second half of November.[78]

With regard to the border disputes, the fourth round of talks at the government-level was held in Hanoi on 17–20 September. The Vietnamese delegation was led by Deputy Foreign Minister Vu Koan, while his counterpart, Tang Jiangxuan, headed the Chinese delegation. The two sides reviewed the progress that had taken place since the

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third round of talks in July 1995 and acknowledged that steady progress had been made in relation to the land border and the Tonkin Gulf. They also discussed, in a "frank and profound manner, orientations and measures" to speed up the negotiation process, and agreed on guidelines for the forthcoming talks of the joint working groups on the land border, Tonkin Gulf and South China Sea.[79]

The discussions relating to the border disputes continued with the ninth round of talks of the joint working group on the land border in Hanoi on 14–18 October. The talks reportedly took place in an atmosphere of "friendship and frankness". The two sides exchanged views on "issues" agreed upon during the government-level talks.[80]

Despite these overall positive developments, the controversy relating to oil exploration in the South China Sea re-surfaced as an issue of contention during a press conference at the Ministry of Foreign Affairs in Hanoi on 5 December. In a reply to a question about Vietnam's response to the transfer of the contract originally signed by Crestone Energy Corporation to the "Bank and Oil and Gas Group", the spokesperson of the Ministry replied that Vietnam had repeatedly "confirmed" that the "Tu Chinh" area in the South China Sea was "conclusively" within Vietnam's continental shelf. He stated that the "move" was a violation of Vietnam's sovereignty and that Vietnam "regards" the contract as invalid "no matter to whom it was transferred".[81]

On 19 December, at another press conference, the spokesperson of the Vietnamese Foreign Ministry elaborated on the development of relations between China and Vietnam and, with regard to the territorial disputes, he said that bilateral talks had "gained positive results". No reference was made to the earlier controversy over the Crestone contract.[82]

The controversy relating to oil exploration in the South China Sea was brought up once again during another press conference at the Ministry of Foreign Affairs in Hanoi on 23 January 1997. In response to a report that the "Baken Oscar company" had acquired all the shares of the Crestone Energy Corporation in December 1996, the spokesperson of the Foreign Ministry "clearly" stated that the "Tu Chinh" area lies "totally" within Vietnam's continental shelf, and that Vietnam "once again confirms" its sovereignty over the continental shelf including the "Tu Chinh area". Furthermore, Vietnam "considers" the agreement signed between Crestone and the Chinese Offshore Oil Corporation "completely illegal and void" no matter to whom the contract was transferred.[83]

From late January to early March, bilateral relations remained good and the eighth round of talks of the joint working group on the Gulf of Tonkin was held in Beijing on 29–31 January. It reportedly took

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place in a "friendly and frank" atmosphere, with the group discussing "various specific points" relating to the delineation of the Tonkin Gulf.[84]

Chinese Drilling for Oil Leads to Renewed Controversy in the South China Sea: March–April 1997

Apart from the brief controversies relating to the transfer of the Crestone contract, the relationship between China and Vietnam seemed to be evolving positively in December 1996 and January 1997. Therefore, it came as a surprise when the Voice of Vietnam announced on 15 March that China had sent "Kanata Oil Platform No. 3" together with two "pilot ships, Nos. 206 and 208" to carry out exploratory oil drilling in areas lying within Vietnam's continental shelf between the co-ordinates "17:13:45" north latitude and "108:39:30" east longitude. According to the Vietnamese, this area was 55 nautical miles from the closest point of Vietnam's baseline, 64.5 nautical miles from the closest point on the Vietnamese coastline, and 71 nautical miles from the closest point on Hainan Island. Vietnam's response to the Chinese action was outlined in the radio report. First, Vietnam's "maritime control forces" moved to warn the Chinese ships about their infringement of Vietnam's "sea areas" and continental shelf, but the ships continued their drilling. Then, on 10 March the Ministry of Foreign Affairs wrote to the Chinese Embassy in Hanoi "asserting" that the Chinese action "seriously violated" Vietnam's "sovereign rights regarding its economically privileged areas" and its continental shelf. Vietnam demanded that China "immediately" halt its activities and withdraw the oil platform from the area and "prohibit" similar activities in the future. It was also noted that it was "regretful" that Vietnam's "rightful" demands had not "brought" about any response from China. Finally, Vietnam's demands on the Chinese side were reiterated.[85]

The first official Chinese reaction came on 18 March. A spokesman of the Ministry of Foreign Affairs said that China's "normal operation" within its EEZ and continental shelf was "indisputable". He stated that oil exploration was carried out in the northern part of the South China Sea "within" the EEZ and continental shelf zone "claimed" by China. Furthermore, he stressed that China's "right" to be in the area was "indisputable".[86]

On 20 March, Tran Xuan Thuy, Deputy Head of the Information and Press Commission at Vietnam's Foreign Ministry, replied to questions by foreign journalists on the controversy relating to Chinese oil exploration in the South China Sea. Tran said that the area in which "Kanta-3 oil rig" was operating was "totally" within Vietnam's EEZ and

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"territorial shelf". He continued by saying that Vietnam had conducted seismic surveys in the area since 1983 and could, at the appropriate time, engage in oil exploration of its own or set up joint ventures with foreign partners. He stated that Vietnam was consistently protecting its sovereignty and sovereign rights while at the same pursuing a consistent policy of resolving "all" disputes "through" diplomatic channels. He stressed that the latter approach had been applied in the current situation and Vietnam had "requested" China to "remove" the oil rig immediately.[87] On 25 March, the Voice of Vietnam carried a report reiterating the main points of Vietnam's position and demand for the withdrawal of the oil rig. The report noted that thus far China had not acceded to the Vietnamese demand.[88]

On 27 March, a spokesman of China's Foreign Ministry elaborated on the controversy at a "regular" new conference. He stated that China "holds the rights" over the EEZ and continental shelf zones, in which its "drilling ship" was operating in accordance with international "laws", inclusive of the 1982 UNCLOS. As a consequence, it was "beyond reproach" that the ship carried out "normal" exploration in the zones "claimed" by China. Finally, he shifted his attention to the handling of the controversy by saying that China "cherishes" its "friendship" and co-operation with Vietnam and "is ready to hold friendly consultations" in order to "properly solve certain problems" in bilateral relations.[89]

According to a report carried by the Voice of Vietnam on 1 April, an official from Vietnam's Foreign Ministry said that China "has agreed to talk" to Vietnam about the issue relating to the "Chinese oil rig".[90] A report carried on 2 April by the same news agency contained information about an announcement by the Chinese Foreign Ministry, on 1 April, that China would propose that expert-level talks be held with Vietnam to resolve the dispute relating to the drilling by the "Chinese oil rig".[91] According to another report by the Vietnam News Agency, official Vietnamese sources said that discussions were held in Beijing on 9–10 April but they did not result in any "bilateral solution" of the disputes relating to the "operation of China's Kantan oil rig" within Vietnam's continental shelf. The report claimed that the expert-level talks were held at Vietnam's "request" and reiterated Vietnam's stand on the disputed issue. Furthermore, it elaborated on Vietnam's wish to maintain and develop friendship and co-operation with China and to preserve peace and stability in the region, and reiterated Vietnam's consistent stand to solve the "problem" through negotiations and to refrain from "any acts" that could make the "dispute more complicated" and adversely affect the "friendship" between the two countries as well as regional stability.[92] Interestingly enough, on 9 April a

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Vietnamese expert was quoted, in a report by the Voice of Vietnam, as saying that since 1 April the Chinese "rig Kantan-03" and its "tugboats" had withdrawn from Vietnam's EEZ and continental shelf. Thus, the Chinese action which had caused the dispute had ceased and the Vietnamese demand for a withdrawal had been satisfied.[93]

The third round of political consultations between senior officials from the Association of Southeast Asian Nations (ASEAN) and China, held in Anhui Province in China on 17–18 April, gave the deputy foreign ministers of Vietnam and China the opportunity to discuss bilateral relations in general and, more specifically, the territorial disputes. According to the Vietnam News Agency, both sides agreed to "promote" talks in order to "solve" the land border issue, to "demarcate" the Gulf of Tonkin and to pursue the talks on "issues of territorial water".[94]

Despite the controversy relating to the Chinese oil drilling activities, mutual visits by delegations from the two countries continued throughout the month of March and into April. For example, the Chinese State Councillor visited Vietnam on 17–21 March and met with Vietnam's Prime Minister and Foreign Minister.[95] In early April, Interior Minister Le Minh Huong led a CPV delegation on a visit to China, and met with President Jiang Zemin.[96] According to the official reports, the dispute relating to the oil drilling was not discussed during these visits; instead references were made to the good and expanding bilateral relations.

Concluding Observations

There can be no doubt that the Chinese and Vietnamese leaderships perceive the bilateral relationship as an important aspect of their foreign policy. Given the asymmetry in size, population and economic strength, China is a greater foreign policy concern to Vietnam than Vietnam is to China. The importance given by both countries to bilateral relations can be seen from the decision to hold yearly high-level summits since normalization in 1991, Prime Minister Li Peng's visit to Vietnam in December 1992, President Le Duc Anh's visit to China in November 1993, President Jiang Zemin's visit to Vietnam in November 1994, CPV Secretary-General Do Muoi's visit to China in November–December 1995, and Li Peng's visit to Vietnam in June 1996.

The evolution of bilateral relations since the full normalization of ties in late 1991 has been characterized by, on the one hand, expanding and strengthening economic and political co-operation and, on the other, by a fluctuating level of tension relating to the territorial disputes. During the period of more than five years, relations have been

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more or less friendly and co-operative. Sharp differences over the territorial disputes were prevalent from May to November 1992, and the differences relating to oil exploration in the South China Sea and the signing of contracts with foreign companies for oil exploration were particularly severe from April to June 1994, in April and May 1996 and in March and April 1997. Despite these differences, the overall trend seems to be that bilateral relations are improving and co-operation expanding.

The continued border disputes are serious and deserve particular attention but the tension that at times have characterized the handling of the disputes should not be allowed to overshadow the fact that China and Vietnam are trying to negotiate with a view to resolving their disputes. The goal of finding negotiated settlements to the territorial issues has yet to be achieved, but some progress can be noted. Talks at the expert level go back to October 1992 and up to late 1995 the talks have focused mainly on the land border demarcation and the delineation of the Gulf of Tonkin. The talks at government-level began in August 1993 and the fourth meeting was held in September 1996. The major achievement so far was the signing of an agreement on 19 October 1993 on the principles for handling the two disputes. On that occasion, the two sides also agreed to set up joint working groups at the expert level to deal with the two issues. The working group on the land border has met on nine occasions during the period February 1994–October 1996 and the working group on the Gulf of Tonkin has met eight times during the period March 1994–January 1997. Talks at the expert level on the territorial disputes in the South China Sea proper, the so-called "sea issues", have been initiated with the first round of talks in November 1995 and the second in July 1996. The territorial disputes are discussed on a regular basis at meetings between the two foreign ministers. Finally, at the annual high-level meetings the territorial disputes are subject to attention in the discussions as well as in the joint communiqués issued in connection with these meetings.

The bilateral talks have been positive and constructive and have shown that the two countries wish to handle the disputes through negotiations and peaceful means and that they wish to refrain from the use of force. The 1993 agreement is the most formal indication of their commitment, and this commitment has been reiterated in the discussions and in the joint communiqués of the yearly high-level visits since normalization in 1991.

The re-opening of the railway link in February 1996 stands out as the most significant achievement in managing bilateral relations and co-operation without formally resolving the territorial disputes. The major reason for not resuming rail traffic earlier during the 1990s was

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the disputed border area of 300 metres between the provinces of Guangxi and Lang Son. This issue has still not been settled despite the fact that the railway linking Pingxing and Dong Dang goes through the disputed area. Since the area is under Chinese control the part of the railway passing through it has been restored and is operated by China. Thus, the Vietnamese side has made a concession by allowing China to control and manage the railway in that area, although Vietnam has not renounced its claim to it. The rationale behind Vietnam's concession is not publicly known but it could well be that it was in Vietnam's best interest to resume the rail traffic and thus to be flexible on the matter. Along the same line of explanation, it can be assumed that Vietnam expects greater economic interaction through resumed rail transport. It could also be that Vietnam obtained Chinese concessions on other matters in exchange. However, since Vietnam has not renounced its sovereignty claim to the area, it is unlikely that China has made any concessions on the territorial issues, nor does it mean that China will be more amenable to Vietnamese claims to other disputed areas along the land border or in relation to the other territorial disputes.

Despite the positive evolution described above with regard to bilateral talks at different levels and the resumption of rail traffic, much remains to be achieved before the border disputes can be formally resolved. Indeed, the two parties have yet to reach a level of understanding on a "code of conduct" which would prevent the recurring periods of tension caused by actions of one or both sides relating to the territorial disputes. Since normalization of relations in November 1991, it is evident that the most serious crises relating to the territorial disputes have been caused by Chinese activities, and the most recent crisis was China's move to start drilling for oil in an area which Vietnam claims to be within its EEZ and continental shelf. In view of this situation, the basic rule of a possible "code of conduct" would be the respect for the status quo and that both parties refrain from actions which would alter the status quo and thus cause tension in relations. The problem is to determine what would be the status quo in some of the areas of overlapping Chinese and Vietnamese claims, in particular in parts of the South China Sea where Vietnam does not recognize China's extensive claims to EEZ and continental shelf areas — that is, what used to be termed "historical waters" by China and which has gradually been turned into the EEZ and continental shelf of the Paracel and Spratly archipelagos through jurisdictional decisions and in Chinese statements. Consequently, Vietnam regards the Chinese moves to sign contracts with foreign oil companies and to engage in oil exploration in areas off the Vietnamese coast in the South China Sea as violations of Vietnam's sovereign rights and as an attempt to turn areas

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in which Vietnam's claim was previously uncontested into contested ones. Whatever the merits of the claims of the two parties and their interpretations of the 1982 UNCLOS to support their claims, the issue of foremost importance is to achieve a situation in which both parties refrain from actions which would alter the status quo. The track record in recent years suggests that China needs to alter its behaviour by refraining from actions which alters the status quo and which causes tension in bilateral relations. Although Vietnam has shown a higher degree of restraint, some of its actions relating to contracts with foreign companies have also caused tension in bilateral relations.

In this context, it is necessary to point out that respect for the status quo should not in any way be seen as passing a judgement on the question of sovereignty over the disputed Paracel and Spratly archipelagos nor about the merits of the claims to EEZ and continental shelf areas in the South China Sea, or for that matter in the Gulf of Tonkin. Respecting the status quo is necessary to avoid the risk of tension escalating into confrontation, thus threatening the positive achievements in strengthening bilateral relations and expanding co-operation which have taken place since 1991. Stability and co-operation in the region as a whole would also benefit from a stable bilateral relationship between China and Vietnam. Thus, achieving respect for the status quo between China and Vietnam and a continued process of managing bilateral border disputes peacefully through negotiations is vital for the region as a whole.[97]

The positive impact of a peaceful management of the border disputes between China and Vietnam on regional stability are fairly evident since good Sino-Vietnamese relations creates favourable conditions for bilateral co-operation between the two sides, as well as favourable conditions for expanding economic interaction and co-operation in the field of regional security in the wider Asia-Pacific. A more specific positive impact on regional stability can be seen in the South China Sea where bilateral talks between China and Vietnam have contributed to a more stable situation in the volatile area with its many bilateral and multilateral territorial disputes. There is also a positive impact from the work within the ASEAN Regional Forum (ARF), in which both countries are members. Finally, peaceful management facilitates interaction and ongoing dialogue between ASEAN and China.

The negative implications of increased tension in bilateral relations caused by the territorial disputes between China and Vietnam on regional stability is twofold. First, tension caused by Chinese actions, which is most often the case, raises fears in the Southeast Asian region about China's long-term ambitions and is perceived as threatening by other countries which have territorial disputes with China in the South

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China Sea. Secondly, tension in Sino-Vietnamese relations puts the other ASEAN members in a dilemma since ASEAN solidarity implies that they should give support to Vietnam while at the same time they do not want to jeopardize their overall relationship with China, which is of great importance to them, both economically and geostrategically.

The first negative implication is very important since Chinese actions raise questions about China's attitude towards territorial disputes with neighbouring countries and about its commitment to handle these disputes through peaceful means.[98] Of course, China's actions are viewed with particular concern among other ASEAN members which have territorial disputes with China, that is, Brunei, Indonesia, Malaysia and the Philippines.

Long-term Chinese ambitions are indeed a matter of major concern for the whole Asia-Pacific. The same can be said about the seemingly inconsistent Chinese policy with regard to the territorial disputes in the South China Sea, which is displayed by China's stated commitment to solve the disputes by peaceful means and to shelve the disputes and move ahead with joint exploration while at the same time resorting to actions aimed at expanding the area under Chinese control. The latter was shown in 1974 in the Paracels against the ROV, in 1988 in the Spratlys against Vietnam, and more recently in 1995 with the Mischief Reef incident involving the Philippines. Other types of action include the Chinese policy of engaging in oil exploration in disputed areas and China's jurisdictional decisions affecting those areas.

In fact, it can be argued that China has been consistent in its inconsistency by pursuing two parallel policies, one constructive and peaceful, and the other characterized by a gradual expansion of control and presence in the South China Sea. This "dual policy" is not conducive to the building of a stable regional security environment. A decisive step to bring about a more stable environment would be for China to refrain from actions which could cause tension in both bilateral relations, such as with Vietnam, and in multilateral relations. A possible way to achieve such restraint on the part of China would be to establish bilateral "codes of conduct" between China and countries with which China has territorial disputes, along the lines of the agreement of August 1995 between China and the Philippines which seeks to avoid an increase in the level of tension relating to their dispute over most of the Spratly archipelago. It also agreed on the need to resolve differences by peaceful means through negotiations based on international law.[99] In November 1995, the Philippines and Vietnam reached agreement on a "code of conduct" to be followed in order to maintain stability in the area disputed by them, that is, most of the Spratlys. The "code of conduct" included a commitment to resolve the Spratly

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dispute peacefully through negotiations based on international law.[100] These two agreements and the experiences gained from their implementation could serve as a basis for establishing an agreement on a "code of conduct" between China and Vietnam. This would be beneficial both to bilateral relations and to stability in the region.

NOTES

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1. Unless otherwise stated the information on the period up to the end of 1991 is derived from Ramses Amer, *The Ethnic Chinese in Vietnam and Sino-Vietnamese Relations* (Kuala Lumpur: Forum, 1991), pp. 29–35, 93–95 and 121–23; Ramses Amer, "Sino-Vietnamese Normalization in the Light of the Crisis of the Late 1970s", *Pacific Affairs* 67, no. 3 (Fall 1994): 357–66, 374–75 and 381; and Ramses Amer, "Vietnam and its Neighbours: The Border Dispute Dimension", *Contemporary Southeast Asia* 17, no. 3 (December 1995): 301–2.
2. From the Chinese side, see, for example, "China's Indisputable Sovereignty Over the Xisha and Nansha Islands", *Beijing Review*, no. 7 (18 February 1979), pp. 15–24; and "The Truth about the Sino-Vietnamese Boundary Question", *Beijing Review* (25 May 1979), pp. 14–26. From the Vietnamese side, see, for example, *La souveraineté du Viet Nam sur les archipels Hoang Sa et Truong Sa* (Hanoi: Département de la presse et de l'information. Ministère des affaires étrangères, République Socialiste du Veit Nam, 1979); and *Memorandum of the Ministry of Foreign Affairs of the Socialist Republic of Vietnam Concerning the Chinese Authorities' Provocations and Territorial Encroachments in the Border Region of Vietnam* (Hanoi: Department of Press and Information, Ministry of Foreign Affairs, Socialist Republic of Vietnam, March 1979).
3. *British Broadcasting Corporation, Summary of World Broadcasts, Part Three, Far East*, 1227 A3/1 (12 November 1991) (hereafter cited as *BBC/FE*). According to Xinhua News Agency, the provisional agreement on the handling of border affairs resulted from talks between the two sides held in early October 1991. These talks were held to meet the "needs" of normalization of relations and for peace and economic development in the border region (ibid., 1224 A3/1 [8 November 1991]).
4. Ibid., 1305 A3/1–3 (15 February 1992); 1306 A3/1 (17 February 1992); and, 1307 A3/1 (18 February 1992).
5. For the full text of "The Law of the People's Republic of China on its Territorial Waters and Their Contiguous Areas" adopted by the Standing Committee of the National People's Congress on 25 February 1992, see ibid., 1316 C1/1-2 (28 February 1992). See also "People's Republic of China. Law of the People's Republic of China on the Territorial Sea and Contiguous Zone", in *International Journal of Marine and Coastal Law* 8, No. 1 (March 1993): 158–61. For an overview of the initial reactions in the East- and Southeast Asian regions, see "Testing the waters", *Far Eastern Economic Review* (12 March 1992), pp. 8–9 (hereafter cited as *FEER*).
6. *BBC/FE*/1385 A1/2-3 (20 May 1992); and, 1388 i (23 May 1992); 1417 A2/3-4 (26 June 1992); and 1430 A1/1 (11 July 1992). See also Michael Vatikiotis, "China stirs the pot", *FEER*, 9 July 1992, pp. 14–15.
7. *BBC/FE*/1428 A2/1 (9 July 1992); and 1430 A1/1.

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8. Ibid., 1479 i and A2/1 (7 September 1992); and 1487 A2/6-7 (16 September 1992).
9. Ibid., 1486 A2/3 (15 September 1992).
10. Author's discussions with officials and researchers in Hanoi, and visit to the Vietnamese border province of Lang Son in December 1994.
11. *BBC/FE*/1299 A3/3 (8 February 1992). See also "Hanoi, Peking reopen border crossing", *FEER*, 16 April 1992, p. 14.
12. *BBC/FE*/1492 A2/1 (22 September 1992).
13. Ibid., 1519 A1/2-3 (23 October 1992).
14. Ibid., 1552 A2/1 (1 December 1992); 1553 A1/1-4 (2 December 1992); 1554 A1/4-5 (3 December 1992); 1555 A1/7-11 (4 December 1992); and 1556 A1/1-3 (5 December 1992).
15. Ibid., 1560 A1/9 (10 December 1992); 1561 A2/4-5 (11 December 1992); 1565 A2/6 (15 December 1992); and 1566 A2/1 (17 December 1992).
16. Ibid., 1620 A2/2 (23 February 1993).
17. Ibid., 1689 A2/4-5 (15 May 1993); and 1691 A2/2-3 (18 May 1993).
18. Ibid., 1777 A1/3 (26 August 1993); 1783 G/1-2 (2 September 1993); and 1786 G/4 (6 September 1993).
19. Ibid., 1825 B/2-3 (21 October 1993).
20. Ibid., 1843 G/1-3 (11 November 1993); 1845 G/5-6 (13 November 1993); 1846 G/1-2 (15 November 1993); and 1848 B/3-4 and G/4 (17 November 1993). The detailed information pertaining to the border disputes is derived from an interview with Vietnam's Foreign Minister by the Voice of Vietnam (date of the interview not given!) (Ibid., 1848 B/3-4).
21. Ibid., 1935 B/3 (2 March 1994); and, 1936 G/2-3 (3 March 1994).
22. Ibid., 1957 B/7 (28 March 1994).
23. Ibid., 1978 B/3 (22 April 1994); 1979 B/9 (23 April 1994); 1980 B/6 (25 April 1994); and *Foreign Broadcast Information Service: Daily Report. East Asia*, 94-077 (21 April 1994), p. 55; 94-078 (22 April 1994), pp. 48–49 (hereafter cited as *FBIS-EAS*).
24. Ibid., 94-090 (10 May 1994), p. 45; and *BBC/FE*/1991 B/10 (7 May 1994).
25. The report was carried by Agence France Press (AFP) in Hong Kong and quoted in ibid., 1996 B/5 (13 May 1994). According to AFP, the Chinese statement was the "clearest claim of sovereignty over this region yet made by the Chinese" (ibid., 1996 B/5).
26. Ibid., 1996 B/5; and *FBIS-EAS*-94-093 (13 May 1994), p. 70.
27. *BBC/FE*/1997 G/4-5 (14 May 1994).
28. *FBIS-EAS*-94-094 (16 May 1994), pp. 57–58.
29. The interview published in the *Straits Times*, 19 May 1994, p. 17, has been reproduced in *FBIS-EAS*-94-097 (9 May 1994), pp. 68–69. In the context of increased military presence in the area, it can be noted that on 12 May KYODO carried a report citing "Vietnamese Government sources" that China had increased its naval presence in the Spratly archipelago. The report also cited other sources as claiming that Vietnam had "rushed" naval vessels to the area (ibid., 94-093, 13 May 1994, pp. 69–70).
30. This refers to the conflict relating to the oil concessions and the sovereignty issues in that area and not to the larger conflict over the Spratly archipelago.
31. *BBC/FE*/2024 G/1 (17 June 1994).
32. Ibid., 2027 B/3-4 (21 June 1994); and *FBIS-EAS*-94-118 (20 June 1994), p. 67.
33. Ibid., 94-128 (5 July 1994), pp. 69-70; 94-129 (6 July 1994), p. 66; 94-133 (2 July 1994), p. 68; and, *BBC/FE*/2028 G/4 (4 July 1994); and 2046 G/2 (13 July 1994).
34. Ibid., 2040 G/5 (6 July 1994).

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35. Ibid., 2041 B/7-8 (7 July 1994); and *FBIS-EAS*-94-129 (6 July 1994), p. 66; 94-156 (12 August 1994), p. 67.
36. *BBC/FE*/2057 B/4 (26 July 1994). According to a report by Xinhua News Agency, the Chinese Foreign Minister had said that the two countries had reached agreement on basic principles concerning the border disputes and "positive progress" had been made during negotiations, thus laying a "solid foundation" for the settlement of disputes (ibid., 2058 G/2 [27 July 1994]). The two sides refrained from publicly criticizing each other over the border disputes following the meeting in July. However, in late July Taiwan claimed that China had deployed warships to blockade Vietnamese "oil prospecting facilities" in the Spratly archipelago (ibid., 2061 B/4 [30 July 1994]; and, 2062 B/2 [August 1994]). Neither China nor Vietnam made any public statement relating to the alleged incident.
37. Ibid., 2078 B/6 (19 August 1994).
38. *FBIS-EAS*-94-159 (17 August 1994), p. 79; 94-161 (19 August 1994), pp. 62–63; and 94-162 (22 August 1994), p. 80.
39. Excerpts of the interview in *Sankei Shimbun* have been translated and reproduced in *BBC/FE*/2085 B/1 (27 August 1994).
40. Ibid., 2158 B/1 (21 November 1994).
41. Ibid., 2140 B/6 (31 October 1994).
42. For the Chinese statement, see ibid., 2128 G/2 (17 October 1994) and for the Vietnamese response, see *FBIS-EAS*-94-203 (20 October 1994), p. 84.
43. For the full text of the "Sino-Vietnamese Joint Communiqué", see *BBC/FE*/2160 B/1-2 (23 November 1994).
44. Ibid., 2161 B/4-6 (24 November 1994).
45. Ibid., 2187 B/5 (28 December 1994).
46. Ibid., 2210 B/4 (25 January 1995).
47. Ibid., 2208 G/15 (23 January 1995).
48. Ibid. 2210 B/4.
49. Ibid., 2273 G/1-2 (8 April 1995).
50. Ibid., 2307 G/1 (19 May 1995); and 2309 G/1-2 (22 May 1995).
51. Ibid., 2315 B/1 (29 May 1995). The Chinese report from the talks also stated that they had "achieved progress" (ibid., 2319 G/1 [2 June 1995]).
52. Ibid., 2340 B/1-2 (27 June 1995).
53. Ibid., 2356 G/6-7 (15 July 1995). According to the Chinese official version, the experts would work on the "territorial waters issues ... and negotiate on the Nansha issue", that is, on the Spratly issue but not on the Paracel issue (Ibid., 2356 G/6-7). According to the Vietnamese official version, a "joint working group on sea border" was formally set up and its "working mechanism of operation" was discussed. The Vietnamese version does not specify which geographical areas are to be dealt with by the working group (ibid., 2356 G/6). In a subsequent interview with Hoang Nhu Ly, head of the China Department of Vietnam's Foreign Ministry, published in the Vietnamese publication *Tuan Bao Quoc Te* on 2 August 1995, Hoang Nhu Ly was quoted as saying that as the Vietnamese side understood it "the sea issues that the team will discuss include those having to do with the Paracel Islands and Spratly Islands" (for a translation of the interview, see *FBIS-EAS*-95-187 [27 September 1995], p. 97).
54. Ibid., 95–199 (16 October 1995), p. 71.
55. *BBC/FE*/2441 (23 October 1995).
56. Ibid., 2463 B/1 (17 November 1995).
57. Ibid., 2471 G/1-2 (27 November 1995); 2473 G/4-5 (29 November 1995); and, 2474 G/2-6 (30 November 1995).

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58. For the full text of the "Sino-Vietnamese Joint Communiqué", see ibid., 2477 G/1-2 (4 December 1995). The agreement on opening rail links between the two countries relates to two links between Dong Dang and Lao Cai on the Vietnamese side and Pingxing and Shanyao respectively on the Chinese side, thus connecting the provinces of Lang Son and Guangxi, and the provinces of Lao Cai and Yunnan respectively. See ibid., 2477 B/3 (4 December 1995); 2494 B/5 (23 December 1995); and, 2524 B/1 (1 February 1996).
59. Ibid., 2479 B/3-4 (6 December 1995).
60. Ibid., 2518 B/4 (25 January 1996); 2524 B/1; 2525 B/4 (2 February 1996); 2536 B/4 (15 February 1996); and 2539 G/3 (19 February 1996).
61. Ibid., 2538 B/5-6 (17 February 1996).
62. Ibid., 2515 B/3 (22 January 1996); and 2517 B/1 (24 January 1996).
63. Ibid., 2522 B/2 (30 January 1996).
64. Ibid., 2550 G/4 (2 March 1996).
65. Ibid., 2562 B/5 (16 March 1996).
66. Ibid., 2586 B/6 (15 April 1996); and 2595 B/7 (25 April 1996).
67. Ibid., 2589 G/2 (18 April 1996); and 2590 G/2 (19 April 1996).
68. Ibid., 2614 G/10-12 (17 May 1996).
69. Ibid., 2615 B/6 (18 May 1996).
70. Ibid., 2618 G/3 (22 May 1996).
71. Ibid., 2651 G/2-3 (29 June 1996). For other reports on the visit of the Chinese Prime Minister, see ibid., 2647 G/2 (25 June 1996); 2650 G/3-4 (28 June 1996); 2651 B/5-7 and 10–12 (29 June 1996); 2652 B/4 and 6–7 (1 July 1996); 2653 B/3-4 (2 July 1996); and 2654 B/6-7 (3 July 1996).
72. Ibid., 2651 B/11.
73. Ibid., 2662 B/6 (12 July 1996); and 2665 B/3 (16 July 1996).
74. Ibid., 2688 B/4 (12 August 1996).
75. Ibid., 2701 G/1 (27 August 1996). See also *British Broadcasting Corporation, Summary of World Broadcasts, Weekly Economic Report. Parts Three Asia-Pacific*/0450 WB/2 (28 August 1996).
76. *BBC/FE* 2701 G/1; 2704 B/5-6 (30 August 1996); and 2705 B/4 (31 August 1996).
77. Ibid., 2759 G/2-3 (2 November 1996).
78. Ibid., 2773 B/6-7 (19 November 1996); 2774 B/4 (20 November 1996); and 2775 B/4-5 (21 November 1996). All these reports were carried by Chinese sources.
79. Ibid., 2724 B/4-5 (23 September 1996).
80. Ibid., 2748 B/6 (21 October 1996).
81. Ibid., 2789 B/3 (7 December 1996).
82. Ibid., 2802 B/4-5 (23 December 1996).
83. Ibid., 2826 B/3 (25 January 1997).
84. Ibid., 2837 G/5 (7 February 1997).
85. Ibid., 2870 B/4 (18 March 1997); and 2871 B/4 (19 March 1997).
86. Ibid., 2872 G/1 (20 March 1997). This report was carried by Xinhua News Agency in English. An earlier version in Mandarin differed in three aspects in the translation reproduced in the *BBC/FE*. First, the statement of the spokesman was made in response to a question of a "reporter", secondly, the "normal operation" was said to be "beyond reproach", and thirdly, China's "indisputable" "right" to be in the area was not stressed (ibid., 2871 G/1).
87. Ibid., 2874 B/3 (22 March 1997).
88. Ibid., 2878 B/7 (27 March 1997).
89. Ibid., 2880 G/15 (31 March 1997).
90. Ibid., 2882 B/3 (2 April 1997).

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91. Ibid., 2884 B/7 (4 April 1997). In this context, it can be noted that according to a report by *Beijing Review* from the regular news briefings of the Chinese Foreign Ministry on 1 and 3 April, Shen Guofang, spokesman of the Ministry, said, in response to a question if the Chinese Government was "willing to negotiate" with Vietnam on the "issue of the sea border", that China hoped that issues like the "South China Sea and oil drilling" could be solved through "expert-level consultations" ("Foreign Ministry News Briefings", *Beijing Review*, 21–27 April 1997, p. 10).
92. *BBC/FE*/2892 B/3 (14 April 1997). See also Michael Richardson "China-Vietnam Dispute Revives Regional Fears", *International Herald Tribune*, 14 April 1997, p. 4. Richardson refers not only to "Vietnamese officials" but also to the National Offshore Oil Corporation of China for providing the information. On 15 April, Shen Guofang, spokesman of the Chinese Foreign Ministry, said, in response to a question by a reporter, that a meeting was held the previous week between China and Vietnam to discuss the "Nansha Islands issue", that is, the Spratlys and both sides had agreed to solve the issue through "constant" consultations. No reference was made to the issue of Chinese oil exploration (*BBC/FE*/2895 G/4 [17 April 1997]).
93. Ibid., 2889 B/3 (10 April 1997). Michael Richardson attributes the information that the "oil rig" had been withdrawn following the "completion of planned exploration work" to the two sources referred to above (see note 92). Richardson, op. cit., p. 4.
94. *BBC/FE*/2900 G/5 (23 April 1997).
95. Ibid., 2872 B/5 (20 March 1997); and 2874 B/4.
96. Ibid., 2886 G/5 (7 April 1997).
97. Reports in the international press in connection with the latest upsurge in tension in March and April 1997 clearly showed the repercussion of the crisis on relations in the region and the turbulence it caused. See, for example, Richardson, op. cit., p. 4; "A rig too near", *The Economist* 342, no. 8010 (29 March 1997): 68; and Michael Vatikiotis, Murray Hiebert, Nigel Holloway and Matt Forney, "Drawn to the Fray", *FEER*, 3 April 1997, pp. 14–16.
98. The Chinese side reiterated its commitment to handle the territorial disputes through peaceful means in connection with the third round of political consultations between senior officials from ASEAN and China, held in Anhui Province in April 1997 (*BBC/FE*/2899 G/2 (22 April 1997); and 2900 G/5-7).
99. For details relating to the negotiations and agreement, see ibid., 2378 B/4–5 (10 August 1995): 2379 B/3 (11 August 1995); 2380 B/2-3 (12 August 1995); and *FBIS-EAS*-95-155 (11 August 1995), p. 50; 95–157 (15 August 1995), pp. 76–77; 95–158 (16 August 1995), pp. 46–47.
100. For details relating to the negotiations and agreement, see *BBC/FE*/2456 B/4 (9 November 1995); and 2459 B/2 (13 November 1995).

Ramses Amer is Coordinator, Southeast Asia Programme, Department of Peace and Conflict Research, Uppsala University, Sweden.

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Book Reviews

***The Third World Security Predicament: State Making, Regional Conflict and the International System*. By Mohammed Ayoob.** London: Lynne Rienner, 1995. xvi. 216 pp.

With the end of the Cold War, increasing attention is being paid to the problems of internal and ethnic conflicts in the Third World that have not only caused disruptions and breakdowns in the countries directly affected but have also threatened to vitiate and endanger peace and stability in the immediate region around them as well as the world at large. A comprehensive study of Third World security and its implications for peace and order at the regional and global levels has been in order. In this respect, Mohammed Ayoob must be complimented for making a courageous and pioneering attempt. In this book under review, he not only addresses himself to the theoretical questions of what security means and what are the sources of insecurity in the Third World, but also looks into the policy alternatives for achieving credible and lasting security. In doing so, he keeps in perspective the regional and global contexts within which Third World countries have to operate. He also does not confine his enquiry to post-Cold War developments alone but travels through a long and difficult period of the bipolar Cold War which had considerably complicated the security situation in the Third World.

Security for Ayoob is a multidimensional concept. After a careful and critical evaluation, he dissociates himself from the Western view of security which he finds "system-centric", militarist, and "external oriented". Instead, he pleads for taking a broadbased view which "must remain firmly rooted in the political realm while being sensitive to

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variables in other realms of societal activity that may have an impact on the political realm and may filter through into the security calculus of Third World states because of their potential to influence political outcomes" (p. 12). Accordingly, he would reject the notions of environmental or economic security, but would incorporate those environmental and economic concerns that decisively impinge on political priorities and values in terms of security. The only problem in accepting this definition is that, as Ayoob himself admits, it is rooted deeply in the entity of State and is not much concerned with the security of society as a whole, though this society props up and protects the State. Since there is no reliable criteria for assessing the security needs of the State, they become what the controllers and managers of the State — regime, in other words — define it to be. Accordingly, with the change in the character and composition of the regime, the security of the State may, and does change.

Like many other Western scholars, Ayoob also locates the insecurity of the Third World in the processes of State-making, which are fragile, distorted and incomplete. States that have failed also generate insecurity in the Third World (Chapter 2). The unexpressed but underlying assumption of this approach is that with the process of decolonization, or in the post-World War II period, the newly liberated countries launched their respective State-making ventures which, in most cases, have yet to reach their successful culmination. Many Third World states do fall into this category, but not all. It is erroneous to assume that the pre-colonial Third World had no structures of governance. In fact, a number of Third World states, particularly India, China and Egypt, had developed civilizations and political structures. A process of ideological and institutional de-construction and re-construction of these structures and states has been going on in the Third World and it is this process which is mistakenly described as State-making. Ayoob should therefore have gone beyond the parameters of State-making and extended his analysis to the character of the State in Third World societies and how this character has been undergoing continuous, and sometimes rapid transformations, precipitating insecurity. Afghanistan's transformation from a feudal to a socialist to a religious/sectarian State (nay, failed state!) may be seen as leading to a complete breakdown of political institutions. Similarly, the responsibility for ethnic conflict and internal insecurity in Sri Lanka must be shared by the rising sectarian (Buddhist/Sinhala) State from its post-colonial democratic and secular character. Similarly, would Pakistan have broken into two if it could govern itself through democratic institutions rather than leading towards a martial law character?

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This takes us to the repeated assertion in Ayoob's book that sources of insecurity in the Third World are invariably internal. And this is done after a useful analysis of the role of regional and global forces and factors for Third World security. Several questions arise here. Are internal State-making and related political processes in the Third World as autonomous as the author assumes them to be? How would one measure this so-called autonomy against the many and diverse forces of intervention, like economic (aid, trade, investments, technologies), ideological (notions of self-determination, human rights), military (arms transfers and security support, proxy wars) and direct military intervention (with or without the United Nations' umbrella, or peacekeeping pretexts). Ayoob ably discusses many examples of these forms of intervention and even underlines the destabilizing role of the great powers and their strategic priorities in the Third World, but he shies away from reaching logical conclusions. He is happy concluding that external forces only exploit and intensify the already existing roots of conflict in the Third World. Generally and broadly, perhaps the situation looks like that but firm conclusions of this type must be based upon a deeper scrutiny of the political processes in a subordinate system, which the Third World is, in relation to the global order constructed, defined and preserved by the great powers. One hopes that the author is not creating an easy escape route for the forces of hegemony and dominance by over-emphasizing the internal nature of insecurity in the Third World. He succinctly underlines the "Contradictory Third World Approaches towards the Global North" but does not tell us about vice-versa (pp. 73–75). He is conscious of the possibility of the erosion of the "limited degree of political and economic autonomy" enjoyed by the developing countries during the era of bipolarity, if "a concert of powers dominated by the United States becomes a long-term reality and effectively controls the political, security and economic agendas in the post-Cold War world" (p. 121), and yet he avoids a critical evaluation in this respect of the systematic manner in which this concert of powers is institutionalizing their desired norms of global governance to control the destinies of the rest of the world through non-proliferation, free trade, and human rights regimes.

Ayoob's treatment of the Third World's place in the post-Cold War global balance is refreshing and insightful. He is right that the end of the Cold War is not a sure way to peace and prosperity in the Third World. He cautions us about the danger of "substituting economic determinism for strategic determinism" (p. 117), and presents before us the ways and means through which the external factors complicate the

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Third World's security situation. He discusses Russia's role as a security manager in the CIS region (pp. 143–45), but avoids a similar discussion about the U.S. role in the Asia-Pacific and Gulf regions, or China's role in Southeast Asia. On the internal dimension of the "Third World's Post-Cold War Security Predicament" (Chapter 8), his analysis of secessionist and ethno-nationalist forces is balanced and incisive. His attack on the selective (only for the developing world), and perhaps designed erosion of international norms "that guarantee the integrity of states" (p. 174) is apt and timely. He also cogently argues that for resolving ethnic conflicts, approaches of self-determination and ethnic cleansing are fraught with serious dangers that can, in the long run, vitiate even international peace and security (pp. 169, 180–82).

Where then lies the answer to the Third World's security predicament? Ayoob does not provide us with any clear answer, or even direction. His unstated assumption, perhaps, is that if insecurity emanates from State-making processes, as was the case with similar early stages of State formation in Europe, then we have to wait until these processes are successfully completed. This implies that the Third World neither has a fate different from that of Europe nor are the prospects for peace promising in the foreseeable future for the Third World. This is not only a grim conclusion but is unwarranted. He defends his position on the Third World following the European path in security and State-making by saying that everyone in the Third World wants to be like the developed State. But "development" in itself is a debatable issue and there are several alternative paths being explored and intellectually designed about the future course for the Third World. There is, in fact, an urgent need for the State in the Third World to be strengthened through international efforts, the opposite of what, according to Ayoob, is taking place in the post-Cold War order.

The present study is a must for all those who are interested in international security and Third World affairs. Some might fault Ayoob for the use of the term "Third World" but it remains relevant and effective as a tool of analysis. Ayoob has provided a cogent and stimulating argument on a problem that is central to security studies but has not been fully explored. One hopes that this study will encourage further debate on the issues raised and that many more of such studies would be produced to fill a vital gap in the field of contemporary international and strategic affairs.

S.D. Muni
Jawaharlal Nehru University
New Delhi, India

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The Armed Forces of Indonesia. **By Robert Lowry.** St Leonards, New South Wales, Australia: Allen & Unwin, 1996. 282pp.

Former Indonesian Armed Forces Commander-in-Chief General Benny Moerdani, in his Foreword to *The Armed Forces of Indonesia*, writes, "... this study of ABRI and Indonesian society is a most welcome addition to the literature on Indonesia in general and its armed forces in particular, and hopefully it will provide a more comprehensive portrait of ABRI to its readers".

Indeed, Robert Lowry has provided an impressive service in this detailed study of the Indonesian Armed Forces (ABRI). Not only has he outlined the expected details on the organization and equipment of the structure and formations of ABRI but he has skilfully woven ABRI into the complex fabric of Indonesian society. It is this latter accomplishment that particularly characterizes this book.

As a long-time observer of ABRI and Indonesia myself, I note that Indonesia's armed forces establishment cannot be properly studied or appreciated in isolation. Perhaps more than in most countries, the armed forces in Indonesia is reflective of the complex society of which it is a part. As the most powerful and most prominent single component of that society, and a major player in the political, social and economic development of Indonesia since independence, ABRI will continue to be a principal actor on the national stage. Lieutenant Colonel Lowry's goal, stated early in the Introduction, is "... to show how ABRI fulfills its three functions: defence, internal security and regime maintenance". He admirably meets this goal in a logically presented work that is both informative and interesting to read.

It is perhaps no coincidence that Lowry's book is one of the first in the publisher's series "The Armed Forces of Asia". To most of the world, Indonesia is the world's fourth most populous country and, geographically, one of the largest, as well. To Australia, obviously, Indonesia is far more an oft-misunderstood and mistrusted near neighbour which through geography is fated always to play a major role in both domestic and defence planning considerations.

The book is well organized. The author examines first the broad strategic concepts of Indonesian defence policy and strategy and their effects on national-level planning and resource allocation. He then narrows the focus to the details of organization, structure, command and control, personnel, and equipment, examined in three concise chapters. Finally, he looks at those characteristics of ABRI that set it apart from other military forces: its role in Indonesian society, the unique *dwifungsi* doctrine that establishes both a social and a defence mission for the armed forces, and the widespread and closely-guarded

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business and funding arrangements that characterize the Indonesian military establishment.

Throughout the book, the author ties what might be dry and statistical data to current political and social considerations that guide both Indonesian and outside domestic and international policy considerations. The surprising success of the New Order government under President Soeharto, for example, and the complex and pivotal succession that is an inevitable part of any serious discussion of Indonesian affairs, is well covered and explained in layman's terms. The role of *dwifungsi* in both social and military planning is outlined particularly well, and helps illustrate the uniqueness of the Indonesian army within Indonesian society.

This book is an important contribution to the literature for its coverage of the "purely military" aspects of the Indonesian Armed Forces, but even more importantly, for the cogent manner in which the author brings together the political, developmental, and social aspects of Indonesian society with the role played by the armed forces. In so doing, the author has made it possible for the reader to better understand the complex society of Indonesia and the critical role played by the armed forces in that society.

It is important to note the differences among societies and their supporting armed forces structures. Indonesia is certainly the least-known of the more important countries in the world today. Historically, Indonesia has not told its story well to the outside world. The country is one of the world's great success stories in national development. Its move from economic and social devastation that characterized the last years of the Soekarno era of the early 1960s to the robust economic regional power status it has achieved today is nothing less than extraordinary.

Yet Indonesia's important accomplishments tend to be overshadowed by publicity generated by its poorly-managed annexation of East Timor and by excesses of zeal in internal security and human rights issues. Lowry rightly covers these problems in a straightforward manner, which also places these controversial issues within their political and social contexts. Readers may not all support the policy decision and implementation involved, but the facts are presented in a responsible and unemotional context.

In fact, one of Lowry's most important contributions is to outline Indonesia's human rights problems in the context of the historical times in which they began and within the political, policy, and developmental framework in which events have unfolded. His straightforward examination of the importance to Indonesia of internal stability to the country's economic development, in consideration of

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Indonesia's extraordinary ethnic, religious, and cultural diversity, is very well drawn indeed.

It is clear that internal instability is the greatest threat to Indonesia and its economic and social development; and that therefore the armed forces will take all steps necessary to preserve security and domestic harmony. Indeed, events of the past two years have shown this to be exactly the case, as a series of public disorders reflecting political, economic, religious and ethnic tensions have challenged the country.

Lowry's book is an important and well-written contribution to the literature on modern Asian developments.

JOHN B. HASEMAN
Colonel, U.S. Army (retired)

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The Foreign Policy of Great-Power China

DENNY ROY

The Chinese Government insists that even as a great power, China will not attempt to establish hegemony or a sphere of influence in the region. Going beyond the stated intentions of the present leadership, this article evaluates the factors that might disincline China towards hegemony, including the unique characteristics of modern Chinese foreign policy, the likely reaction of other states to growing Chinese power, China's widespread poverty, its pre-modern track record as a "benign" hegemon, and the type of international system Beijing appears to favour. The conclusion is that the purported restraints to China rising to the position of dominant regional power are not convincing. Nevertheless, China can achieve this goal through avenues its neighbours will accept, without resorting to force or coercion.

Anyone who has followed the recent foreign relations of the People's Republic of China (PRC) would have read reports of Jiang Zemin, Li Peng, Qian Qichen and other Chinese leaders assuring their neighbours that "China will never seek hegemony" even if it becomes a twenty-first century superpower. A more detailed but still representative statement of the official Chinese position was recently offered by a Chinese military officer during an academic conference in the United States: "China does not prepare to establish any force-projection capability overseas, does not join in any military alliance, and does not seek spheres of influence ... China has no military bases overseas or any active-duty soldiers stationed abroad. China is not interested in being

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involved in an arms race with other powers and will never engage in military expansion. China has never sought hegemony in the past, does not at present, and will not in the future".[1]

China's growing economic power, and the other capabilities this entails, may soon put this Chinese sense of exceptionalism to the test. This article presents a brief, initial inquiry into the question of whether or not China will "seek hegemony" as its economic development makes it the pre-eminent power in the Asia-Pacific region and thereby gives it the wherewithal to attempt to reshape the regional system of interstate relations. The purpose of the article is not to attempt to predict the future, but rather to identify and assess some of the important factors that will shape China's foreign policy in the next century. The article will first examine some of the distinguishing characteristics of PRC foreign policy that can be expected to carry into at least the near future. It will then evaluate several specific issues pertaining to the question of how China will behave as a great power: whether the other Asia-Pacific powers would form an alliance to oppose the establishment of Chinese hegemony; whether the unevenness of China's economic development precludes it from exercising an assertive foreign policy; whether the foreign policy of pre-modern China is a reliable guide to that of a strong future China; and what kind of international system a stronger China is likely to promote. The analysis leads to the conclusion that contrary to the premises of statements of PRC officials, such as those mentioned above, China's unique characteristics do not make China any less inclined towards hegemony than any of the other great powers — indeed, if anything, these factors give Beijing additional motivation to fashion a regional sphere of influence that suits the PRC's interests.

Characteristics of PRC Foreign Policy

China already has the world's largest population, wields growing political influence, and may soon command the world's largest economy and one of the globe's leading military machines. Conventional geopolitical analysis would suggest that such a state can be expected to translate its various bases of power into control over the international system in its region, if not beyond. The first question to ask is whether the unique features of PRC foreign policy suggest that China will behave otherwise. The most important of these features can be summarized as follows: Chinese history has a strong influence on Beijing's interpretation of China's national interests and of present-day international affairs; Chinese élites tend to see internal and external threats as interrelated; and China views itself as the most moral of the major states.

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Chinese élites carry the baggage of history, which strongly influences the perceptions upon which PRC policies are based. After centuries of viewing their country as the cultural, political and economic centre of the world, the Chinese seem to have difficulty dealing with other states as equals. The collision with a technologically-superior West ushered in the "Century of Shame", a period of foreign intrusions and exploitation mingled with weakness in China's own leadership. This experience has left today's Chinese with a profound sense of indignation, humiliation, and vulnerability to harm by foreigners, plus a determination never to be mistreated again. As a consequence, contemporary PRC foreign relations exhibit a combination of great-power and weak-power attitudes. On the one hand, Beijing is quick to interpret the policies of the developed countries as attempts to weaken and subjugate China, and often raises China's background as an underdeveloped state and/or victim of imperialism in an attempt to minimize China's international obligations. On the other hand, China's past glory has left present-day élites hungry for international respect, insistent that China be treated as a great power (a demand that is increasingly reasonable, but was rather incongruous during the Cold War), and highly sensitive to the PRC's reputation abroad.

To a greater degree than in most other states, Chinese officials link internal and external security threats. Chinese history trained the authorities to view the relationship between domestic political weakness and attack from foreign countries as symbiotic — a conception captured in the aphorism, *nei luan, wai huan* (disorder within, danger without). In the historiography of the Chinese Communist Party (CPP), the "Century of Shame" provided strong support for this principle, as the Qing Dynasty, warlord governments and Kuomintang (Nationalist) regime all proved too corrupt and parasitic to mobilize the Chinese people in effective defence against foreign imperialism. The linkage between internal and external threats is reinforced by the present government's somewhat successful efforts to equate regime security with national security. To justify its monopolization of political power, the CCP styles itself as the party that led China out of the "Century of Shame" and has presided over China's recent social, political and economic achievements, and argues that handing leadership over to an alternative group would risk plunging China back into its former state of weakness and disorder. Anti-CCP dissidents are thus as dangerous to the national interest as hostile foreign armies. Another manifestation of the linkage of internal and external threats is Beijing's perception that many of China's most serious internal problems are caused or worsened by foreigners. Foreign governments are accused of recruiting and funding Chinese dissidents. Foreign support is blamed for

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separatist activity in Tibet, Xinjiang and Inner Mongolia (and of course Taiwan, which is, in Beijing's eyes, an "internal" matter). Regionalism within China is exacerbated by the economic ties each region has with particular foreign countries.

China sees itself as a uniquely principled actor.[2] The PRC abides by tenets such as the Five Principles of Peaceful Coexistence,[3] while the other major powers practice *realpolitik*. PRC officialdom characterizes Chinese foreign policy as always just and ethically correct. In contrast to PRC domestic politics, foreign policy is never self-criticized. The People's Liberation Army's (PLA's) use of military force in Tibet, 1950–51; in Korea, 1950–53; in the Taiwan Straits, 1954–55 and 1958; at the Indian border, 1962; at the Soviet border, 1969; in the Paracel Islands, 1974; in Vietnam, 1979; and in the Spratly Islands, 1988, for example, are all justified as essentially defensive actions in protection of Chinese sovereignty or in support of Chinese allies suffering aggression.

Among these aspects of PRC foreign policy, the point that offers the greatest hope of supporting China's purported disinclination to seek hegemony in the future is the claim that Chinese foreign policy follows internationally-accepted ethical principles rather than narrow Chinese self-interest. The Five Principles of Peaceful Coexistence alone would rule out hegemonic behaviour, at least in theory. Unfortunately, however, this claim is not highly credible. Many observers would describe China's external behaviour as the ruthless pursuit of self-interest under a rhetorical cloak of exaggerated self-justification — in other words, the same *modus operandi* the CCP uses at home. Turning Beijing's claim on its head, Thomas J. Christensen writes that "China may well be the high church of *realpolitik* in the post-Cold War world".[4] With its authoritarian political system, China is arguably *more* rather than less Machiavellian than the governments of the other major powers, which are increasingly compelled to honour modern liberal values.

Beyond this, the peculiar features that PRC foreign policy has demonstrated up to now do not suggest that the Chinese are self-constrained from seeking hegemony. The legacy of Chinese history is a sense of natural Chinese superiority and leadership combined with a strong fear of being taken advantage of by foreigners, the latter heightened by perceived connections between PRC domestic problems and foreign influence. Chinese irredentism, one of the consequences of China's strong historical consciousness, is particularly worrying. Rectification of the "Century of Shame" will not be complete and China's dignity not fully restored until the territories lost during that period are recovered. Taiwan remains a symbol of both the incompleteness of the

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CCP's Chinese Civil War victory and continuing attempts by foreigners to divide China (because the United States protects Taiwan from recapture by the PRC). The Spratly Islands dispute falls into the same context: Beijing considers them Chinese territories claimed by foreigners during a period of Chinese weakness — in this case, the Cultural Revolution. The power of historical considerations is evident in the tendency of these irredentist issues to take precedence over other important PRC policy goals, such as maintaining good relations with the United States, or even economic development.

It is fair to conclude from the PRC's military history that while Beijing has not been especially aggressive, it is clearly not inhibited about using force, especially over disputed territory. If this pattern continues, assuming the level of foreign military pressure on China does not rise any higher than it was during the Cold War, the PLA will be sent into battle less frequently as China's territorial claims are resolved. Alternatively, however, it is possible that as China's relative military capability improves, Beijing will find new uses for the PLA beyond enforcing the PRC's irredentist agenda.

Regional Reaction to an Assertive Chinese Foreign Policy

In most analyses, China's future foreign policy is discussed without sufficient consideration of the position and interests of the other major Asia-Pacific states and China's interactions with them. The likely reactions of countries such as Japan, the United States and Russia must always be a factor in PRC foreign policy calculations, although domestic political considerations allow for a range of Chinese orientations to expected foreign resistance, from relatively accommodating to relatively confrontational. The possibility of other states forming alliances to balance the power of a China that appears threatening is an important possible hedge against Chinese hegemony. In this case, however, several factors might mitigate the effect of the balancing principle.

Historical experience demonstrates that except in cases of hopeless vulnerability (for example, post-war Finland *vis-à-vis* the Soviet Union), weaker states tend to balance against rather than bandwagon with threatening states. Should they encounter PRC coercion, the position of the Southeast Asian states would be far from hopeless. They are geographically contiguous, their economies are generally prospering, their internal politics are generally stable, their combined potential for military defence is formidable, and the framework for their political co-ordination (ASEAN) is already in place. Analysts such as Gerald Segal assert that the Southeast Asian states are collectively strong enough to defend themselves against Chinese coercion but "lack the

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will" to do so.[5] Southeast Asian diplomats, however, contend that they would not hesitate to join forces in standing up to China if this became necessary, and that in the meantime it is counterproductive for them to provoke Beijing or stimulate deep-seated Chinese insecurities while the relationship is still fragile. Apart from the weak response of ASEAN to PRC military threats against Taiwan in 1995–96 (ASEAN accepts the "one China" principle, and therefore recognizes Beijing's position that Taiwan is an "internal affair" of the PRC), it could be argued that Southeast Asia's defensive responses, including the displeasure expressed by ASEAN diplomats to the Mischief Reef incident and to China's "U-shaped line" claim over the South China Sea, Indonesia's security agreement with Australia, and the public and private expressions of hope in the subregion that the United States will keep significant military forces forward-based in Asia, have been suitably proportional to the challenges posed by Chinese policies, given that the "China threat" is far more potential than actual. Thus, there is a basis for expecting that the Southeast Asian states would balance against an aggressive China — even a stronger China — as some of the ASEAN states themselves are similarly undergoing rapid economic growth and military modernization.

Even the strongest China we could imagine emerging two or three decades hence would be deterred by an alliance of the other major Asia-Pacific powers, which is reason to believe that Beijing would not attempt to reprise Imperial Japan's Pacific War policy of military conquest of Northeast and Southeast Asia. Yet, this is probably the only circumstance that would bring about such an alliance among so diverse a group as the major states of the region. Short of Chinese military adventurism, ASEAN for its part shows considerable willingness (although this varies among individual ASEAN governments) to accommodate growing Chinese economic and political power, apparently accepting that China is destined to become the Asia-Pacific region's strongest power. Indeed, ASEAN officials often make the argument that balancing behaviour ought to be used only as a last resort because it heightens Chinese insecurity and ultimately *increases* rather than decreases Chinese misbehaviour.

The usual potential obstacles to effective balancing behaviour apply to the Asia-Pacific region. These include "buck-passing" (each government waiting for someone else to take the initiative in standing up to the threatening power, with the result that no one takes timely action) and the problem of geographic separation of potential allies (Vietnam and India, for example). Furthermore, Chinese politicians are skilled in the art of playing off enemies against each other, and if necessary they could draw from a host of issues that divide America

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and Japan, America and Russia, Japan and Russia, Japan and the Koreas, and so forth.

Policy-makers in Beijing presumably know their behaviour risks in frightening other governments into balancing against China. This realization can serve as a powerful deterrent, as illustrated by Japan's post-war policy of voluntary military weakness and dependency. The deterrent effect of the principle of balancing may be stronger or weaker, depending on a state's sensitivity to the risk of provoking a hostile coalition. This sensitivity may in turn be relatively high or low, as influenced by the state's peculiarities. Unfortunately, China's sensitivity to being perceived as a threat to others is dulled by its historical and cultural self-image. From the standpoint of the Chinese, since they stick to their principles and have promised to promote peaceful co-existence and mutual benefit and to renounce hegemonic ambitions, no one should imagine there is malign intent behind any Chinese moves. China's history of victimization at the hands of Western and Japanese imperialists seems, from the Chinese point of view, to amply demonstrate that it is China that needs to be wary of the rest of the world, not the reverse. The obviously sincere belief of many Chinese élites that territories such as Taiwan, Tibet and the South China Sea belong to the PRC supports their presumption that all Chinese policies aimed at strengthening control over these areas are inherently defensive, and ought to be seen as such by outsiders. This mostly historically-based Chinese under-sensitivity to the security fears of others, especially the Japanese, reduces the effect of what otherwise might act as a powerful inhibition to seeking hegemony.

In sum, while anti-hegemonic balancing behaviour remains an important consideration in the question of China's future foreign policy, regional idiosyncrasies undermine its potential efficacy.

Poverty and Hegemony

The substantive argument made perhaps most frequently by Chinese officials and scholars is that China's widespread poverty precludes an assertive Chinese foreign policy in the foreseeable future — perhaps through 2050, which is the year many Chinese élites mention as the target date for bringing the country's overall standard of living up to the level typical of today's developed states. Chinese authorities insist that in order to get the correct picture of China's potential power, all the indicators must be averaged per capita, which allows them to be diluted by China's hundreds of millions of poor people. It is not a question of insufficient wealth or economic capacity. One can conceive of a formidable Chinese economic heartland of around 200 million

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people in the southeast coastal provinces with levels of productivity and income comparable to those in the Southeast Asian newly industrializing countries (NICs). The presumption, rather, is that the state's wealth and attention will be absorbed by China's remaining masses of poor, preventing the government from prosecuting an unco-operative or coercive foreign policy. This presumption is questionable from at least two angles. First, carrying a large number of impoverished citizens does not necessarily prevent a state from devoting substantial resources to building the capacity to pursue an assertive foreign policy. North Korea, which has frequently spent 20 to 25 per cent of its gross national product on its armed forces while most of its population lived under austere conditions, illustrates the point. In fact, no great power, the United States and the Soviet Union included, has eradicated poverty at home before establishing a sphere of influence abroad. There is little doubt that the Chinese Communist Party (CCP) leaders sense that they must raise living standards throughout China to stave off large-scale rioting in the countryside and among the millions of unskilled labourers and would-be labourers who have migrated to the cities. Supporting an assertive foreign policy probably requires this problem to be contained, which is within the regime's means, but not to be solved, which is probably impossible even in the long-term. Furthermore, channelling resources away from social welfare benefits and towards tools of external national power is comparatively easy in an authoritarian political system such as China's, where media commentary is controlled and the public does not have direct input into policy-making.

A second reason why the poverty argument is dubious is that China's large, mostly poor population could become an *impetus* for an assertive foreign policy. The combination of a growing population, demands for higher living standards, loss of arable land, and depletion of other Chinese resources, compels Beijing to seek other sources of food and energy. An obvious strategy for addressing these needs is to take a stronger position on Chinese ownership of the South China Sea and other disputed areas.[6] As China's relative power increases, Beijing might attempt to control additional land and sea areas that are clearly beyond China's historical boundaries (even as defined by the Chinese) because of their economic value. Controlling vital supplies rather than buying them on the world market has the advantage of reducing vulnerability to exploitation by foreigners, a danger to which the Chinese leadership is highly sensitive. Furthermore, an assertive foreign policy might serve as a distraction from domestic problems. Seeking a confrontation with foreigners is a time-honoured tactic of governments hoping to persuade their discontented citizens to accept hardships or

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rally in support of the regime. This could prove an attractive option for Beijing, given the social dislocation resulting from economic reform and the near-bankruptcy of the CCP's legitimacy.

Comparing Ancient and Future China

Both PRC and some Western analysts have cited the relatively benign and non-aggressive behaviour of ancient China, which held the same position of dominant power in the region that the PRC might again attain early in the next century, as support for the conclusion that a powerful China would not attempt to exploit or coerce other countries to suit narrow Chinese interests. Unlike the Western powers and Japan, imperial China was generally uninterested in territorial conquest or establishing foreign colonies from which resources could be systematically extracted. Chinese domination of foreign peoples was limited to the requirement that they show respect to the Chinese government, symbolized in the periodic payment of tribute, and to the dissemination of Chinese culture and advice among the nearer "barbarians". Modern Chinese rulers, the argument goes, would return to the same pattern, and China's neighbours would therefore have no need to fear undue Chinese political or economic pressure.

But the presumption that a modern Chinese hegemon would behave like the ancient Chinese hegemon is questionable. During the relatively brief history of the People's Republic, China's orientation towards, and relations with, the outside world clearly shifted in accordance with Chinese development and the growth of relative Chinese capabilities. The evolution of PRC defence policy illustrates the phenomenon. In its early years, the PRC was impoverished, underdeveloped and technologically backward. Mao therefore made "people's war" the basic strategy for national defence. Borrowing heavily from the "indirect" approach to warfare expounded upon in Sun Tzu's classic *Art of War*, "people's war" envisioned enlisting the entire population in a massive guerrilla campaign. Instead of rushing to head off an invading army, the strategy called for China to "lure the enemy in deep" and prolong the conflict into a war of attrition. Chinese citizens would abandon the cities and force the enemy to chase them into the vast countryside, where pockets of invaders could be isolated and annihilated by numerically superior local Chinese forces. This strategy was suitable for a country that had a large, well-mobilized population but lacked wealth and modern weaponry and infrastructure. But as China's capabilities relative to those of the other Asia-Pacific countries changed, "people's war" was junked in stages from the late 1970s up to the 1980s. When rapid economic growth made it

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possible for the PRC to join the great-power club, Chinese defence strategy jettisoned the premise that PRC military forces will be qualitatively inferior to their opponents. The PLA now intends to fight the battles of the future using modern weapons system, tactics and doctrine. Industrialization, greater wealth and improved technology have given China economic assets that require protection. As Yan Xuetong notes, "a consensus has basically been reached ... [that] in order to ensure the safety of the country's economic achievements against war damages, the Chinese army must commit itself to engaging the enemy outside China's territory ... to ensure that the flames of war would not spread" to the country's urban centres.[7] The result is a new emphasis on "qualitative construction" and on reconfiguring the PLA for power projection. It is debatable, of course, whether or not the PLA will ever fulfil its aspirations.[8] The point is that the aspirations, and the strategy, have changed.

Important differences between antiquity and the modern world make it unlikely, even impossible, for future China to imitate the policies of ancient China. Ancient Chinese élites sensed no serious external security threats. China's only perceived rivals were smaller and culturally backward "barbarian" nations that would quickly be sinicized even if they succeeded in capturing the Chinese throne. Defending the nation against foreign powers was therefore of minor consequence to imperial China, an attitude reinforced by the Middle Kingdom's traditional pretensions of civilizational superiority.[9] Such national security nonchalance, however, can never prevail again in China (or any other modern nation, for that matter). The complacency of China's distant past was clearly displaced by the foreign intrusions of the late pre-modern and early modern periods. A return of this complacency as a feature of Chinese foreign relations in the near future is less likely than a continuation of the residual Chinese near-paranoia carried over from the Century of Shame, which remains strongly in evidence up to the present day. Modern China is keenly aware that it shares the globe with a host of potential adversaries, several of which have the means to inflict serious damage on Chinese assets.

While ancient China was economically self-sufficient, today's China is highly dependent on economic ties with the outside world for its development, including a growing dependence on energy imports. China's continued prosperity increasingly relies on the preservation of a vast network of foreign suppliers, markets and investments. If the Chinese are not satisfied with the will or ability of other nations to protect Chinese interests abroad, they will likely feel compelled to do more for themselves. This would reinforce the current push to improve the PLA's power-projection capabilities, possibly including

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the deployment of aircraft carriers or the establishment of PLA bases outside China proper. Economic interdependence also provides additional reason for Beijing to assert, when it is able, a stronger role in shaping the rules of international trade and diplomacy. It is noteworthy here that the superpower of the twentieth century started out with a strong tradition of isolationism, moral exceptionalism and the avoidance of "entangling alliances", but abandoned this approach in favour of internationalism to protect U.S. global interests.

Hegemony with Chinese Characteristics

The international system that presently prevails in the Asia-Pacific region bears the imprimatur of the pre-eminent post-war power. Is it conceivable that should a new power attain pre-eminence in the post-Cold War era, its interests might favour a different type of system? Would a stronger China push for qualitative changes in the rules and norms that currently govern economic and security relations in the region?

The United States has promoted an open, non-preferential global economic system. This system has provided great growth opportunities for China, but it has also implied vulnerabilities and sacrifices of sovereignty. Whether or not full participation in an open, Western-sponsored world capitalist trade system is on balance desirable for China's long-term development is a matter of debate within the PRC. Some analysts have concluded that when China joined liberal trade regimes such as the World Bank, the International Monetary Fund and APEC (Asia-Pacific Economic Co-operation), the Chinese generally kept to the rules, and their participation has been basically constructive. Stuart Harris argues that Chinese officials have undergone "cognitive learning", having abandoned a centuries-old aversion to international economic interdependence and accepted the notion that socialist countries could join with capitalist countries in mutually-beneficial trade relations within a single global economic system.[10] This suggests that, just as many liberal theorists have been urging, "enmeshing" China in liberal trade regimes now will ensure China's continued participation in and support for liberal norms and rules in the future through a combination of education (that is, demonstrating to the Chinese the economic value of co-operation) and socialization. This apparent trend, however, could change. Even relatively optimistic commentators such as Harris warn that bad experiences along the lines of the difficult negotiations with American officials over Chinese entry into the World Trade Organization (WTO) might drive the consensus within the PRC back to the camp of those arguing that the costs of participating in a

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global liberal trade regime are too high, and that an alternative should be considered.[11] One such alternative would be for the Chinese to continue using their recent tactic of pitting the Americans against the Europeans in a contest for access to the Chinese market. Another possible alternative would be a Chinese-sponsored and -centred trade bloc that features privileged terms of exchange for member-states but not for non-members.

In the security realm, three scenarios can be presented for the likely future of the Asia-Pacific: (1) dominance by a single superpower; (2) a balance of power among several large and medium-sized countries, in which challenges to peace or stability would be met by the formation of ad hoc coalitions to counter the power of threatening states; and (3) a multilateral security institution or regime in which states agree to renounce the use of force or the threat to use force and, in the event of a conflict, to resolve it by following a prescribed set of rules or procedures. At present, the region exhibits a blend of elements from all three models. The United States is significantly stronger and more influential than any other Asia-Pacific state, but unable to implement policies against which a consensus forms among the other states in the region. The long-term trend points towards a narrowing of the power gap between the United States and the other large regional states. At the same time, many states in the region support constructing a multilateral framework that would serve to civilize security relations among the Asia-Pacific countries. The ASEAN Regional Forum, for example, aims to provide preventive diplomacy and conflict resolution within a decade, and to work to extend these practices to contentious Northeast Asia. Should this effort fail, regional security relations will likely fall back into the familiar balance of power pattern.[12] If the present is ambiguous, the near future is even more so. It is not overstating the point to say that China is the critical variable in determining the character of future Asia-Pacific security relations. China is not only the state with the greatest potential to don the mantle of hegemony, but it is also the state that, more than any other, could single-handedly determine the success or failure of a multilateral security regime through its decision to either support or sabotage the process.

The United States' recent shift towards acceptance of multilateralism in the Asia-Pacific may be seen as an indication of Washington's desire to scale back its regional leadership responsibilities, as a result of the end of the Cold War, "imperial overstretch", or both. By the same token, a *rising* power such as China might exhibit a *decreasing* interest in multilateralism in the long term, since its growing relative capabilities reinforce its advantages in one-on-one relationships with its smaller neighbours. For several other reasons, pre-great power China

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has already demonstrated that it prefers a bilateral rather than a multilateral approach to regional security.[13] First, the Chinese have traditionally believed that diplomacy should reflect the hierarchical nature of the international state system, with China recognized as first among unequals. Secondly, like any other large country, China has enjoyed advantages in one-on-one negotiations with most other countries that would be negated in a multilateral arrangement. Indeed, the United States demonstrated the same characteristic with its "hub and spokes" approach through the Bush Administration. Thirdly, China, again for historical reasons, is highly suspicious of multilateral organizations, fearing that they may create breaches in Chinese sovereignty through which foreigners might intervene in China's affairs to the detriment of China's interests. Fourthly, traditional Chinese military thought puts special emphasis on the use of secrecy and deception, creating a deeply-held resistance to transparency in defence matters, which is one of the fundamental issues of multilateral security discussions. China's historical disinclination to participate in multilateral security organizations does not bode well for the possibility that an institutional approach to regional security could replace the usual balance of power dynamic. A Northeast Asian or even Asia-Pacific security institution that does not include China would have little use except as a framework for an anti-China alliance.

Conclusions

It is important to note that China can be a destabilizing influence in the region even without attaining hegemony. Indeed, Beijing has already demonstrated this capability in the 1990s, while Chinese great-power potential is far from fully realized and the United States maintains its position as the Asia-Pacific's sole military, political and economic superpower. Washington has long since acquiesced to a Chinese sphere of influence on the Asian mainland.[14] China would face overwhelming military opposition if it attempted to attack any of Asia's island or archipelagic states, but all told, its freedom of political action within the Asia-Pacific region is now probably second only to that of the United States. The PLA's missile tests off the coast of Taiwan in 1995 and 1996 amounted to a blockade of some of the key sea and air routes to the island. It is remarkable, and instructive, that a state significantly weaker than the regional hegemon could carry out such an action against one of the hegemon's close allies with so little retribution. China also wields the power to undermine U.S. objectives through its veto power in the United Nations Security Council, its membership in the nuclear weapons club, its arms sales to sensitive regions outside

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East Asia, and its relationship with North Korea. Even if Chinese domination of the Asia-Pacific seems a distant prospect, China's potential to act as a spoiler of the U.S.-sponsored regional order will grow with improvements in the PRC's military and economic capabilities, even if these remain inferior to American capabilities.

Indeed, if it was assumed that life in a Chinese-dominated regional system would be no worse for the rest of the Asia-Pacific than life in a U.S.-dominated regional system, one might argue that Chinese hegemony is preferable in that Beijing would have achieved whatever ambitions and settled whatever grievances it might have harboured under the American system, and thus shifted permanently from the role of a dissatisfied trouble-maker to that of a peacemaker and manager of the status quo. In short, Chinese hegemony might, from this perspective, be more peaceful and stable than U.S. hegemony.

There are several peculiarities of PRC foreign policy that stem from its unique history, endowments, and socio-political composition. Contrary to the claims of the Beijing establishment, however, these peculiarities do not exclude the PRC from seeking hegemony in the Asia-Pacific. At the same time, China's poverty and "principles" are not convincing as purported constraints, and the foreign policy of the benign and self-absorbed ancient China is not necessarily a reliable guide to the foreign policy of future China. Beijing probably will not attempt to conquer and control the region by military means in the foreseeable future, but the reasons for this have less to do with Chinese culture or historical tradition than with the general increase in costs and decrease in benefits associated with seizing foreign territory in the modern age. Nonetheless, while other states would prevent Beijing from establishing hegemony by force of arms, China would not be effectively restricted from rising to the position of a dominant power in the region if it sought to achieve this status through the exercise of its growing economic, political and diplomatic power within the wide avenues that the other Asia-Pacific countries will accept.

The character of the international system that a stronger China would promote is uncertain. There appears to be considerable hope that China will support a continuation of the present international trade system anchored in the WTO. Future Chinese participation in an effective multilateral security framework, however, is more doubtful.

NOTES

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edited by David Shambaugh and Wang Zhongchun (Carlisle Barracks, PA: U.S. Army War College, 1996), p. 37.

2. A typical statement, in this case by Foreign Minister Qian Qichen: "All countries in the world may see that China has a different attitude and that China stands up for justice". "Ch'ien Ch'i-ch'en's Report on the International Situation (5 September 1992)", *Issues & Studies* 30, no. 1 (January 1994): 114.
3. The "Five Principles" referred to in this awkwardly-written but oft-cited Chinese diplomatic canon are "mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful co-existence".
4. Thomas J. Christensen, "Chinese Realpolitik", *Foreign Affairs* 75, no. 5 (September/October 1996): 37.
5. Gerald Segal, "East Asia and the 'Constrainment' of China", *International Security* 20, no. 4 (Spring 1996): 108.
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7. Yan Xuetong, "China's Post-Cold War Security Strategy", *Contemporary International Relations* 5, no. 5 (Beijing, May 1995): 8, 5.
8. See, for example, Richard Halloran, "Glitches in the Chinese Military Machine", *ISEAS Trends* No. 72, supplement in the *Business Times* (Singapore), 31 August–1 September 1996, p. I; Karl W. Eikenberry, "Does China Threaten Asia-Pacific Security?" *Parameters* 25, no. 1 (Spring 1995); and Robert S. Ross, "An Enemy of Convenience", *ISEAS Trends* No. 51, supplement of the *Business Times* (Singapore), 26–27 November 1994, p. I.
9. Jonathan R. Adelman and Chih-yu Shih, *Symbolic War: The Chinese Use of Force 1840–1980* (Taipei: Institute of International Relations, 1993), pp. 27–30.
10. Harold Jacobsen and Michel Oksenberg, *China's Participation in the IMF, the World Bank and GATT: Towards a Global Economic Order* (Ann Arbor: University of Michigan Press, 1990), especially pp. 127, 136; Stuart Harris, "The WTO and APEC: What Role for China?" Paper presented at the International Institute for Strategic Studies conference on "China Rising: Interdependence and Nationalism", San Diego, California, 12–15 May 1996, p. 9–10.
11. Ibid., pp. 10–11.
12. Paul Dibb, *Towards a New Balance of Power in Asia*, Adelphi Paper No. 295 (London: International Institute for Strategic Studies, 1995).
13. Indeed, Samuel S. Kim states, "China's regional security behaviour seems to be propelled by unilateralism in bilateral clothing". Samuel S. Kim, *China's Quest for Security in the Post-Cold War World* (Carlisle Barracks, PA: U.S. Army War College, 1996), p. 14.
14. Robert S. Ross, "Beijing as a Conservative Power", *Foreign Affairs* 76, no. 2 (March/April 1997): 34–35.

Denny Roy is a Research Fellow in the Strategic and Defence Studies Centre, Australian National University, Canberra.

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Vietnam and China: New Opportunities and New Challenges

CHANG PAO-MIN

By the mid-1990s Vietnam and China had mended their ties with all former foes and entered a new era of friendly intercourse. New opportunities were open to them to concentrate on domestic development and to benefit from mutual cooperation. However, precisely because both countries have never felt more secure than they are today, Vietnam and China are also faced with the new challenge of exercising caution, skill and self-restraint in coping with the new power vacuum in Southeast Asia and in settling their outstanding territorial disputes.

Alternation of Alliance and Conflict

It is perhaps already a truism to say that relations between China and Vietnam have for centuries been characterized by periodic shifts between, or rather alternations of, two extremes, namely close alliance and bitter conflict. And ironically enough, the bases of both alliance and conflict between China and Vietnam have been the same: geographical, cultural, and historical. Being contiguous, with a common land border of over 1,100 kilometres, the two countries have shared similar experiences throughout a history of ten centuries. As one of the two most "sinicized" Asian countries (the other being Korea), Vietnam not only shares with China many cultural attributes but also understands China better than does any other Southeast Asian country. Indeed, the two countries can even communicate in a common language. The fact that the same ideologies — first nationalism and then communism — have permeated China and Vietnam for nearly the same

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length of time and almost in parallel have further bound the two countries to a common destiny in the twentieth century. Even today, Vietnam and China remain two of the four functioning communist states in the entire world, and both have also adopted virtually the same model and strategy in developing their economies.

As a result of these affinities, Vietnam has historically sought China's assistance whenever it was confronted with internal turmoil or external threat, and China has also been nearly always prepared to lend a hand to Vietnam as a "brother country". Indeed, at such times, the relationship between China and Vietnam was often characterized by both sides as "brotherly", "intimate", and like "lips and teeth". It is perhaps necessary to emphasize that during the past century or so, China has fought for Vietnam at least three times, first against the French colonialists in 1874–75, then during the first Indochina War (1948–54), and most recently, against the Americans during the second Indochina War (1958–75). The fact that three completely different political regimes in China have been equally ready to come to Vietnam's aid in spite of their own apparent weakness, and irrespective of the identity and nature of the enemy, is in itself sufficient proof of the strong historical ties between the two countries. As a matter of fact, China was both the source of inspiration and concrete assistance for Vietnam's nationalist movement throughout the first half of the twentieth century. The first two Indochina wars merely represented the most recent experiences that both exemplified and consolidated the close relationship between China and Vietnam, which can be approximated perhaps only by China's relationship with Korea until the end of the Korean War.

However, precisely because of the age-old, pervasive cultural links, the geographical proximity between China and Vietnam, and the frequent Chinese intervention — though almost invariably at Vietnamese initiative before the 1970s — plus the contrast in size and power between the two countries, Vietnam has always been wary of excessive Chinese influence in Vietnam, let alone outright Chinese domination, whether military or political in nature. This has particularly been the case when Vietnam enjoyed internal tranquillity and encountered no external threat. With the emergence and growth of Vietnamese nationalism in the twentieth century, cultural affinities with China have inevitably become a political liability and has been seen by most Vietnamese leaders as detrimental to the cultivation and development of a distinctly new Vietnamese identity. Ironically, again, the first and second Indochina Wars, which witnessed the closest ever military and political alliance between Vietnam and China and on an unprecedented scale, also coincided with the full blossoming of Vietnamese nationalism

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which dictated Hanoi to distance itself from Beijing when war was over. Indeed, both internal political dynamics and external exigencies required Vietnam to adopt a strong anti-China and anti-Chinese stance in the late 1970s.

What is perhaps equally significant during recent decades, however, was the historically unprecedented entanglement in Indochina of the two superpowers, the United States and the Soviet Union, both traditionally alien to Southeast Asia, which nevertheless offered Vietnam for the first time in its history an opportunity to play a balancing game against China by enlisting an outside and much stronger power to check China's traditional, entrenched influence, and to counter China's possible expansionist designs. Hence, the swift turn in, and radicalization of, Vietnam's posture on and policy towards China and ethnic Chinese almost immediately after the military reunification of Vietnam in 1975, which triggered off a new round of bitter conflict between the two countries lasting for nearly fifteen years. And for a period of time, Vietnam clearly relied on the Soviet Union in the pursuit of both its national objectives and its imperialist ambitions, both conveniently and at the expense of its friendship with China.

But unfortunately for Hanoi, and to some extent also beyond its expectations, such a policy turned out to be economically too costly and politically counterproductive. Not only did it result in a serious drain on Vietnam's already strained resources and cut all economic links to the non-Soviet world, but it also quickly antagonized all its immediate ASEAN neighbours, as well as the United States. What was worse, Beijing's irreconcilable stance on Vietnam and on the issue of Cambodia was accompanied by Moscow's about face during the massive Chinese attack in 1979, only to be followed by intensive diplomacy between China and the Soviet Union throughout the early 1980s, culminating in the two giants' *rapprochement* by the mid-1980s, which rendered Vietnam's aggressive Indochina policy even more undesirable and untenable. And it was out of an acute sense of exhaustion and insecurity that Hanoi decided to give up its occupation of Cambodia in 1985 and to withdraw all its troops from the country, a *sine qua non* for normalizing relations with both China and all the ASEAN states, and a move that was finally completed by November 1989. Parallel to such a turnabout in foreign policy was Vietnam's overtures to the United States and its ASEAN neighbours in the early 1990s in order to cultivate a more friendly regional environment conducive to Vietnam's security and development. The sudden, quick demise of the Cold War in the mid-1980s and the subsequent rapid disintegration of the Eastern bloc and the Soviet Union in 1989–91, certainly confirmed the wisdom of Hanoi's new policy and added

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impetus to Vietnam's reorientation of its policy priorities, with increasingly greater emphasis upon reconciliation and co-operation with all its immediate neighbours, including China.

The very fact that Vietnam had not treasured its cultural ties and traditional links with China and had not even hesitated to turn against the latter in better times had caused great dismay and anger to China. Indeed, precisely because of its anticipation of Vietnamese loyalty, China could not tolerate, and would react strongly to, a hostile Vietnam. This love-and-hate complex was in fact the underlying cause — although perhaps not easily comprehensible to Western observers — of China's military attacks in 1979. It also explained the accompanying and subsequent outpouring of all the emotion-charged accusations against Vietnam. China under the communist regime, like previous Chinese regimes, has not been so concerned about a Vietnam seeking and defending its political independence from China, as turning itself into an anti-China outpost of actually or potentially hostile powers. Vietnam's open alliance with China's arch-enemy in the Cold War atmosphere, that is, the Soviet Union, was unmistakably viewed as a real threat to China's national security. Forming such an alliance in the wake of its military victory over the United States and after thirty years of unswerving Chinese support and sacrifice was to China a brutal violation of all the decent rules of conduct and morality. Hence, Beijing's unusually hardlined stance on the question of Soviet support for Vietnam and its occupation of Cambodia. China's unswerving containment of Vietnam throughout the 1980s also came as no surprise.

Nevertheless, from the Chinese perspective, Vietnam was never a brother permanently lost. In the back of the Chinese mind, precisely because Vietnam by itself does not and has never posed a threat to China nor will it ever be capable of doing so, Vietnam should remain, and can also be easily won over as China's lasting friend if only for cultural and historical reasons. Sharing a common land border with China and with a long coastal line overlooking the main sea-lanes in the South China Sea, Vietnam is certainly merited as a vitally important gateway to China from maritime Southeast Asia and West Asia, which Beijing cannot afford to disregard or forsake. Beijing's determination to go out of its way to strain its relations with Hanoi during 1975–90, and for that matter, China's whole-hearted support for Vietnam throughout the first two Indochina Wars, did not so much serve the purpose of seeking China's domination of Vietnam, which Bejing now knows it can no longer achieve, as ensuring the long-term goal of dislodging both superpowers from their footholds in China's backyard. And somehow China was confident that Vietnam's marriage of convenience with any outside power, particularly Western in character and

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hostile to China, could not possibly negate or replace its centuries-old, multifaceted links with China. That is why China's pressure on Vietnam did not escalate as a result of the Soviet Union's withdrawal from Indochina and its subsequent political disintegration. On the contrary, no sooner had Vietnam fulfilled its promise of evacuating from Cambodia, than China opened its door to Vietnam for negotiation on normalization of relations. Indeed, from the Chinese standpoint, the threat generating from both the United States and the Soviet Union was no longer evident by the early 1990s.

New Opportunities in the 1990s

It is in the light of the above changes that the renewal of friendship between Vietnam and China has proceeded smoothly and swiftly since August 1990 when Beijing openly dropped its support for the Khmer Rouge. In the same year, Vietnam's Party Secretary Nguyen Van Linh was invited to a secret summit meeting with Chinese leaders in China to pave the way for normalization of relations, which culminated in Vietnamese leader Do Muoi's visit to China in late 1990 and Chinese Premier Li Peng's official visit to Vietnam in November 1991. In November 1994, Chinese State President and Party leader Jiang Zemin paid a visit to Vietnam in his four-country tour of Southeast Asia. In December 1995, Vietnam's Party General Secretary Du Muoi paid a second visit to China. Each time such high-level exchanges took place, either a communiquè was signed pledging mutual friendship, or some co-operative agreements were concluded. In mid-February 1996, the cross-border rail service between Hanoi and Nanning, that had been suspended for seventeen long years, was resumed with much fanfare and publicity, signalling the beginning of a new era. In fact, Chinese land borders were unofficially open to trade with Vietnam in the early 1990s even before the resumption of the rail service. In sum, by the mid-1990s, the two former foes had mended their broken ties and were already on good terms. Bilateral trade also grew from virtually zero in 1985 to US$227 million in 1991, and again to US$736.6 million in 1996.[1]

The rapid improvement of Sino-Vietnamese relations has been accompanied by the new diplomatic progress both Vietnam and China have made individually in Southeast Asia. In the case of Vietnam, trade relations with the ASEAN states developed as early as the mid-1980s and have kept growing ever since. What is more significant, a breakthrough was made in political ties as early as 1990, when Vietnam's Party leader toured ASEAN capitals, pledging goodwill and expressing the intention of establishing better ties with ASEAN. Not only was this

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trip well received, but it was subsequently reciprocated by the ASEAN leaders. It was also followed by a continuous stream of delegations exchanged between Hanoi and its Southeast Asian neighbours. In fact, almost immediately following the complete Vietnamese withdrawal from Cambodia, Malaysia and Indonesia began to strike a dialogue with Hanoi. In 1991, Vietnam was accorded observer status in the annual ASEAN Ministerial Meeting. On 28 July 1995, Vietnam became a full-fledged member of ASEAN.

Similarly, China's relations with the ASEAN countries have also improved. Indeed, China made a deliberate effort to court ASEAN during the 1990s. In 1990, Beijing scored a major breakthrough by establishing formal diplomatic relations first with Indonesia, and then with Singapore. In the following year, China asked to be, and was accepted as a Dialogue Partner of ASEAN. In 1994, a joint committee on economic, trade, scientific, and technological co-operation was set up between China and ASEAN. In the same year, Chinese state President and Party leader Jiang Zemin visited Singapore, Malaysia, Indonesia, as well as Vietnam; and in 1996 Jiang visited the Philippines. In March 1996, China asked to become a full Dialogue member of ASEAN and in June that year Beijing's request was accepted. In March 1997 China even despatched warships on a goodwill visit to Thailand, Malaysia and Singapore.

Even at the international level, both Vietnam and China have made new friends. Here, Vietnam's progress has been particularly remarkable. Not only did Vietnam normalize its relations with almost all Western countries by 1991, but talks also began to be held between Hanoi and Washington that year — after nearly twenty years of estrangement — on a variety of issues of common interest. In 1993, the United States dropped its objection to international lending to Vietnam by the World Bank and the Asian Development Bank, thereby turning on the green light for international aid to Vietnam. In 1994, the United States lifted its trade embargo on Vietnam that had been imposed for nearly three decades, and on 11 July 1995, the two countries established formal diplomatic relations.

If Vietnam has made a new friend in Washington, China has also made rapid progress and unprecedented new gains in its relations with Moscow. In fact, since 1992, China's bilateral ties with Russia have developed quickly on almost all fronts, including the military. A series of agreements were signed in 1994 and 1995 not only to delineate the land border, but also to reduce the armed presence along it, to inform each other on military activities, and to co-operate on advancement of military technology. On the other hand, China's relations with the United States have remained stable, in spite of the stalling question of

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Taiwan. In fact, China's cultural and economic ties with the United States have continued to grow by leaps and bounds in the 1990s.

Although China–Vietnam relations in the 1990s must still be understood and analysed in the context of the historical patterns outlined in the foregoing, it cannot be overemphasized that both the world as a whole and the Asia-Pacific region in particular, had, in the 1990s undergone fundamental structural changes. The disintegration and decommunization of the Soviet bloc and the end of the Cold War have removed the danger of nuclear holocaust and ushered in a new era of peace for the entire world. The complete withdrawal of the United States from the Philippines in 1992 and the corresponding drastic reduction of Soviet naval presence in the Asia-Pacific region as a whole had the further effect of reducing external threats to all Asian countries. For the first time in half a century, peace prevails in the Asia-Pacific region, and there is no tense confrontation between any two nations. Even for Vietnam and China, two of the three major issues that once constituted the bases of bitter conflict, that is, Cambodia and the ethnic Chinese, have become less relevant. And neither party feels an immediate threat from any source or from each other.

Therefore, one witnesses in the mid-1990s opportunities for both Vietnam and China not only to develop themselves rapidly, but also to co-operate with each other. On the Vietnamese side, for the first time after half a century of continuous war, the country enjoys a real breathing spell and is on friendly terms with all neighbouring countries. After abandoning its territorial ambitions in Cambodia, Hanoi was able for the first time to concentrate its energy on the reconstruction of the war-devastated country and on economic development. In view of the protracted and prolonged nature of war, particularly the extent and depth of ecological and social damage wrought to Vietnam and their lasting after-effects, Hanoi cannot afford any new adventures beyond its borders. Indeed, since 1988, Vietnam did embark upon the most ambitious and liberal programme of economic reform and open-door policy it had ever known. And all signs indicate that Vietnam is at the moment completely absorbed in its domestic developmental programmes. Being still one of the poorest nations in the world, Vietnam does have a lot to catch up with its more posperous neighbours. It certainly needs a peaceful international environment more than any other Southeast Asian country and for a longer period of time too, in order to make up for lost time. For this reason alone, Vietnam is not likely to sour its newly mended ties with either China or any other ASEAN neighbour in the immediate future.

If the unprecedented peaceful and friendly environment of the mid-1990s provides Vietnam a golden opportunity to reconstruct and

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develop its war-torn country, it also allows China to streamline and upgrade its growing but trouble-ridden economy. Indeed, for decades China was contained or confronted by at least one superpower, and more recently by both the Soviet Union and the United States simultaneously. But that kind of predicament no longer exists in the 1990s. Although the United States still maintains 100,000 troops in the East Asian region, compelling military considerations and growing bilateral ties have essentially transformed China–U.S. relations, rendering it non-antagonistic in nature. Moreover, new breakthroughs have been scored in China's relations with Taiwan since the late 1980s, and the flow of goods and people between the two sides of the Taiwan Strait has been growing steadily in the 1990s in spite of the lack of political progress. Even the dispute over the South China Sea islands has reached a stage of being accepted by all parties as demanding no urgent resolution. At least China does not see an American or Russian hand in the dispute. And it is no exaggeration to say that since 1949 China has never enjoyed a stronger sense of security than today.

Indeed, for a number of reasons, China will be preoccupied with domestic issues and therefore unlikely to create new problems with its southern neighbour in the foreseeable future. Foremost among such issues is clearly the Party leadership's paramount concern with political stability in the post-Deng era. With the death of Deng Xiaoping in February 1997, China has entered a new era led for the first time by civilians, and the security of Jiang Zemin's leadership position cannot be taken for granted. The consolidation of the Party leadership clearly takes precedence over all other issues, and all signs indicate that the forthcoming fifteenth Party Congress will be a decisive battleground. In any case, whether to buttress his position of power or to balance various factions in order to survive the authority crisis, Jiang Zemin needs not only skills, but also time, and the dust may not settle until 1998 or even later.

The second important item on China's political agenda is the resumption of sovereignty over Hong Kong on 1 July 1997 and over Macau on 20 December 1999. Both are vitally important tasks that demand much of Beijing's attention and efforts. In spite of the meticulous preparations made by China for the transfer of power for the two colonies, neither Beijing nor Hong Kong or Macau is confident that the transition will be smooth. The fact that the two events come one after the other and also occur immediately after the passing of China's paramount leader only poses more challenges to Beijing. Apart from the gaps in perceptions and administrative skills between China and Britain, the sheer magnitude of managing a capitalist economy and administering a free society more or less independent of diverse

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and multiple pressures from China poses an enormous challenge to Beijing, as well as to the new government of Hong Kong after 1 July 1997. And one cannot overemphasize the length of time China needs in order to learn how to ensure stability and prosperity for both Hong Kong and Macau. It would probably take at least five to ten years to accumulate both experience and confidence in running a special administrative region, a phenomenon unprecedented in China's history. The task of taking over control of the two booming territories therefore poses an enormous challenge to Beijing, and any problems developing in either one in the next five years or so would draw world-wide attention to, and even criticisms of, China, thereby damaging its international prestige.

Even if the Hong Kong and Macau questions are settled to the satisfaction of all parties concerned, there is still the increasingly urgent and thorny problem of reunification with Taiwan. By the year 2000, Taiwan will unquestionably become the single most important issue on China's political agenda. Clearly, the resolution of the Taiwan problem demands a combination of diplomatic skills and political manoeuvring of a completely different order compared to the case of Hong Kong and Macau. It would certainly require a much longer time than the resolution of the Hong Kong and Macau issues. This means that the task of reunification will consume much of China's attention and energy in the twenty-first century, so much so that all other international issues are likely to occupy a secondary place. This is based on the assumption that the transfer of Hong Kong and Macau turns out to be smooth sailing. In light of the above, China will remain very much inward-looking both economically and politically, at least for the coming decade.

For all the reasons outlined above, Vietnam and China have every reason to maintain and even improve their bilateral relations. Indeed, as a technologically more advanced country beginning to accumulate huge sums of foreign exchange reserves, China is in a position to extend various technical and economic assistance to Vietnam. By the same token, Vietnam also constitutes a new, substantial market for China's vastly expanding consumer industry. In other words, for the immediate future, the two economies can be made to complement each other to the benefit of both parties. What is perhaps even more important, precisely because Vietnam shares a common culture with China and understands China more thoroughly than any other ASEAN country, it could play a sort of bridging role between China and maritime Southeast Asia, by conveying the latter's anxieties to China more accurately, on the one hand, and by reducing their excessive fears of China as an emerging power, on the other. Progress made in this respect would surely

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enhance mutual understanding and trust between all the parties concerned and thereby promote stability in the entire Southeast Asian region.

New Challenges in the Twenty-first Century

To be sure, the new opportunities offered by a Pax Asiana by no means automatically removes all sources of tension or areas of potential conflict between China and Vietnam. Nor have the emerging realities in the Asia-Pacific region completely overshadowed the traditional pattern of relations between the two countries. In fact, on the geopolitical level, the rapid diplomatic progress achieved by Vietnam in the international community since 1991 has not been exclusively the result of Hanoi's own efforts. It also reflects the changing priorities of the major powers in the West and of the ASEAN countries. Indeed, after the end of the Cold War, and particularly with the rapid disintegration of the Soviet bloc, the Western countries led by the United States tended to view the economically prospering China as potentially the most dangerous source of threat to regional security, and therefore sought to counter the emerging power of China, if not also to harness its growth, by any means, however discrete they might be. Indeed, the return of Hong Kong and Macau to China by the year 2000 only augments further Beijing's capability to project its military power seaward and southward. In view of the combined "weakness" of all the Southeast Asian countries, the recent conflict between China and Vietnam, and the latter's strong nationalist orientation, Washington has apparently calculated that lending a hand to Vietnam serves both its own national interests and the objectives of regional security. Such an assessment of the Asian situation is clearly shared by other members of the Western community. Hence Washington's swift response to Vietnam's peace initiatives in the early 1990s after nearly twenty years of stalling. Hence also the quick acceptance of Vietnam by the international community as a whole.

Similarly, if not even more strongly, the ASEAN countries, which have for decades seen China as *the* source of threat to the security and stability of Southeast Asia, also saw a power vacuum in Southeast Asia after both the Soviet Union and the United States departed from the Southeast Asian scene, and therefore developed a new sense of urgency on the issue of restraining an emergent China. Although Beijing has embraced capitalism in many ways since 1979, distrust of China in Southeast Asia has deep historical, cultural, as well as ideological roots that cannot be easily removed, particularly for Malaysia and Indonesia. Indeed, the very thought of China becoming an economic giant is

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dreadful enough, to say nothing of the political and military strength that that economic power can easily generate. Although for nearly fifteen years ASEAN was closely aligned with China in opposition to Vietnam's occupation of Cambodia, the main objective of confining Vietnamese power within its boundaries had already been achieved with the peaceful settlement of the Cambodia issue. Guided by the new priority of restraining China's power and harnessing its possible expansionist designs in Southeast Asia, after 1990 the ASEAN countries naturally saw Vietnam as a new ally in their common fear of China and a reliable outpost against Chinese influence in Southeast Asia. After all, the threat posed by a Vietnam distanced, if not also alienated, from China is manageable at the worst. By pulling Vietnam onto its side, ASEAN's bargaining power *vis-à-vis* China on a range of political and economic issues, including the unresolved territorial dispute in the South China Sea, can be further strengthened. Hence, the enthusiasm of ASEAN to court Vietnam and to admit it into the regional organization even when the memory of past enmities were still fresh.

All these strategic considerations apparently also match perfectly Vietnamese thinking in the new era. Russia's decline as a military superpower has left the United States as the only alternative source of counterweight that could check the possible southward expansion of China. It is no wonder then that as early as 1985, Vietnam considered normalizing relations with Washington as the first priority task of its foreign policy. But the departure of the United States from the Philippines, the drastic reduction of American military presence in Southeast Asia, and decades of mutual enmity between Hanoi and Washington, rendered any real and firm U.S. backing for Vietnam unreliable at the best, thereby leaving Vietnam's ASEAN neighbours as the only potential allies in any new round of conflict with China. And precisely because there are outstanding territorial issues unresolved between Vietnam and China, and also because all the other ASEAN countries wish to keep China out of the region, Hanoi found ready support from its Southeast Asian neighbours on a range of issues of common concern. Hence Vietnam's eagerness to befriend ASEAN and to join the organization in spite of its apparent lack of preparation and its wide differences from other ASEAN nations in ideology, politics, and culture.

The new power vacuum emerging in Southeast Asia since the early 1990s, the confluence of strategic interests of Vietnam, ASEAN, and the United States, and the resultant new realignment of forces, therefore, contain seeds of conflict between Vietnam and China. Although it is the common desire of all parties concerned to maintain peace and stability in the Asia-Pacific region, there are after all still

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unresolved bilateral issues between China and Vietnam which could easily generate new tension and conflict. The coming into effect of the 1982 Law of the Sea Convention in November 1995 and the almost immediate scramble for Exclusive Economic Zones in the Asia-Pacific region certainly could not but have further alerted both China and Vietnam to the implications for the South China Sea.[2] Here, perhaps, it cannot be overemphasized that both China and Vietnam are energy-short countries and economic development in both countries is bound to generate new demand for energy sources.

Therefore, the danger apparently lies first in Vietnam being tempted to take advantage of its new membership in ASEAN and its new friendship with the United States, if only to create an adequate counter-weight to China. By the same token, Hanoi may well also be tempted to challenge China again on the territorial issue, and even to enlist the United States in a possible confrontation with China. And in view of the security amd strategic considerations of all these countries, it takes only a little persuading and pushing by any one party for such a new anti-China united front to be formed, though perhaps discretely. If this should indeed happen, it is likely to generate new suspicions and anxieties on the part of China, thereby triggering a chain reaction that would not be conducive to the continued stability of the entire region.

But the danger of new conflict also lies in China taking advantage of the power vacuum in Southeast Asia to gain more footholds in the Spratly Islands, if not also along the Sino-Vietnamese land border and in the Gulf of Tonkin, the three territorial areas still under dispute. Precisely because China has the smallest share in the Spratly Islands compared to Vietnam, and is therefore in the weaker bargaining position, Beijing has no way of substantiating its vast claims without first gaining more control of the island group. But any single, small step taken in that direction, as in the case of Mischief Reef in February 1995, would immediately generate an uproar in Southeast Asia and confirm the latter's long-standing fears and suspicions of China, thereby also pushing the Southeast Asian nations into an alliance against Beijing, if not also inviting the United States onto the scene.

Even on the economic side, there may also be increasingly fierce competition between China and Vietnam in the twenty-first century. Although Vietnam's economic reforms and open-door policy was implemented nearly ten years later than China's, the much smaller size of the country, the even cheaper labour force, and the fact that the entire southern portion of Vietnam has long practised capitalism, all militates in Vietnam's favour. In fact, spectacular progress in economic development has been achieved since 1988 and on a nation-wide scale. Although in terms of per capita gross domestic product (GDP), Vietnam

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is still among the poorest nations and lags far behind China, with an average annual growth rate of 9 per cent for the past decade, the likelihood of Vietnam catching up with China in the foreseeable future cannot be readily ruled out. After all, Vietnam and China are on the whole still in a similar stage of economic development and are therefore bound to become rivals increasingly in the international market.

Here it is perhaps noteworthy that Vietnam's economic growth has been almost totally unrelated to any Chinese input. Whether by chance or by design, Hanoi has not sought, nor has Beijing provided capital, aid or expertise to any developmental projects in Vietnam during the past ten years. Rather, new boosters in Vietnam's economy have originated from European, American, Japanese, and Southeast Asian sources. Particularly remarkable is the rapidly growing trade and investment linkages between Vietnam and its ASEAN neighbours. As of the end of 1996, 40 per cent of all Vietnam's foreign investment and 48 per cent of its foreign trade were with the other ASEAN countries.[3] The increasingly strong economic links between Vietnam and the Western and Southeast Asian countries clearly have the effect of pushing China further away from Vietnam, with all the political implications that it might involve.

What may be even worse to Beijing are the strong economic ties established between Vietnam and Taiwan during the past decade or so, which is in sharp contrast to the stagnation of Sino-Vietnamese economic links. By 1996, Taiwan had already ranked as the leading foreign investor, accounting for 20 per cent of all Vietnam's foreign investment.[4] The new economic ties have generated air links and even discrete political contacts between Hanoi and Taipei, which could also have significant implications for the Spratly dispute. For years the original ASEAN countries had been reluctant to antagonize China on the issue of Taiwan. Hanoi's ready acceptance of Taiwanese economic initiatives has apparently served the political interests of both sides well. Mutual support by Vietnam and Taiwan on the China question certainly represents a great boost to the strength of any Southeast Asian united front directed against China. Indeed, with its widening economic links with Taipei, Hanoi would be under increasing pressure to make use of Taiwan as a bargaining chip in dealing with China. With Taiwan moving more and more towards formal independence, it would be interesting to see what new position Taiwan takes on the South China Sea dispute if and when tensions flare up again. Here also lies a real danger of new conflict between China and Vietnam with unpredictable consequences. Should Taipei abandon its long-standing position of defending its claims to the South China Sea islands on the same terms as China, and even decide to echo Hanoi's position, or

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co-operate with Vietnam on such matters, Beijing may well view it as a grand conspiracy in the making, involving even the United States, and therefore feel compelled to take a radical stand on all Sino-Vietnamese territorial disputes in general, and the Taiwan-occupied island in particular.

Conclusion

The new era contains opportunities and pitfalls for both China and Vietnam. If China needs to reassure all its Southeast Asian neighbours of its benign nature, as it has in fact been doing energetically with some success in recent years, ASEAN as a whole, and Vietnam in particular, needs also to accept the continued growth of China as an economic and political power in the region as a fact to live with, not as a danger to suppress. To be sure, for a Southeast Asia that has been traditionally suspicious of China's imperialist ambitions, and particularly for a Vietnam that had fought bitter battles with China in the past, this reorientation of attitude is a difficult task, particularly at a time when major Western powers, including the United States, have been pursuing a new policy of neo-containment directed against China. But Vietnam could in fact play a positive role in this respect, and if successful, it would serve the interests of all. If, on the other hand, the new U.S. policy finds ready echoes in the Asia-Pacific region in general, and in Southeast Asia in particular, forces increasingly hostile to China would quickly grow, thereby rendering China once again feeling threatened by the surrounding countries. And out of a sense of insecurity, China might, as it did in the past, resume a militant posture towards its southern neighbours, even taking drastic measures on certain issues still under dispute.

Specifically, if Vietnam refrains from capitalizing on its ASEAN membership or its new friendship with the United States and Taiwan as a counterweight to China, and also refrains from pushing for an early solution of the Spratly Islands dispute in its favour, peace and stability could be expected for the coming decade in Southeast Asia. If, however, Hanoi should decide to settle the Spratlys dispute in its favour in the near future, and to enlist the support of ASEAN and even the United States, Beijing might be forced to react drastically. In other words, Vietnam should not make the same mistake, as it did in the 1970s and 1980s, of enlisting an outside power, much less a superpower, to confront China. A Vietnam aligned with ASEAN constitutes no threat from the Chinese perspective, but a Vietnam lined up with an ASEAN not only hostile to China but also receiving support from the United States, is bound to be seen by Beijing as an enormous threat to

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its security. Similarly, Vietnam must refrain from lining up with Taiwan on any issue against China, otherwise it would be seen in Beijing as a serious trespass on Chinese sovereignty that could not be forgiven. The challenge for Vietnam in the coming years, therefore, consists mainly in balancing its ties with China on the one hand, and with Southeast Asia, Taiwan, and the United States on the other, without at the same time attempting to alter the status quo in its disputes with China.

For China, the task of persuading all its Southeast Asian neighbours of its peaceful intention is an equally difficult one. Here, clearly, actions speak louder than words. To accomplish this objective, Beijing must refrain from any further show of military force in both the Spratly archipelago and the Taiwan Strait as it has done in recent years. Indeed, it must make at least some concessions in its vast, untenable claim to the South China Sea, a claim that, in itself, cannot but have imperialistic implications with no practical value. After all, the major islands in the Spratly group have been occupied by Southeast Asian countries, and there is little prospect that China can reverse the *fait accompli* without a massive use of military force. So far Beijing has repeatedly pledged its intention to settle the territorial dispute in a peaceful manner and according to the Law of the Sea. But more concrete proposals based on the status quo are yet to be forthcoming.

What is even more difficult, Beijing needs to reassure its neighbours that it would not resort to the use of force against Taiwan unless the latter decides on formal independence. In fact, China should exhaust all means to strive for a peaceful resolution of the Taiwan issue. Moreover, it should accept the fact that Taiwan has been an independent political entity for half a century as a basis for any political negotiation between the two sides of the Taiwan Strait. Indeed, to reassure Taiwan of Beijing's good intentions is also to reassure all the Southeast Asian nations of China's non-imperialistic character. And yet, this may well be a real challenge to Beijing in view of recent developments. For nearly four decades until the 1990s, Taiwan's government had upheld a one-China policy, and for nearly ten years after 1987 Taipei had promoted cross-Strait contacts in an effort to normalize relations with China. But all these appear to have changed since 1995 when President Lee Teng-hui visited the United States, and particularly after Lee's re-election as Taiwan's President in the first-ever direct presidential election in 1996. Hence China's military exercises, including missile tests, in March 1996 in order to suppress the independence mood. But this show of force immediately rekindled new fears in Southeast Asia. What is worse, Taiwan has not been, and will most likely not be, intimidated into supporting reunification. In fact, it has begun to distance itself

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from China since the latest Taiwan Strait crisis. How Beijing decides to settle the Taiwan issue in the post-Deng era, therefore, will be a crucial indicator of its regional policy, with immediate implications for Southeast Asia.

To sum up, at the risk of oversimplification, the fundamental problem lies in the fact that Vietnam has not been in the habit of co-operating closely with China during better times. On the other hand, China has not completely abandoned its mentality as a "big brother" in dealing with the Southeast Asian countries in general, and Vietnam and Taiwan in particular. What is perhaps even more important, both Hanoi and Beijing could act from a position of unprecedented strength today. Therefore, although the opportunities are present and conspicuous for both countries to work for a lasting peace in Southeast Asia, the temptation of either or both countries to assert their rights or claims at the expense of the other party remains great in spite of the many pressing domestic concerns confronting both countries. Moreover, there are changing variables involving the United States and Taiwan that are beyond the control of both Vietnam and China. For both Hanoi and Beijing, therefore, political farsightedness, military restraint, and diplomatic skills are all required to seize the new opportunities presented to them and to face the new challenges wisely in the years ahead.

NOTES

1. See *EIU Country Report: Vietnam* (London: Economic Intelligence Unit, 1st quarter, 1997).
2. In April 1996 Japan publicized its Exclusive Economic Zone enclosing a total of 2.5 million square kilometres of sea area. A dispute with the Republic of Korea soon followed over a few small islands located in the Sea of Japan. See *Lian He Pao* (*United Daily*, Taipei), 21 February 1996, p. 1; and *Asashi Shimbun* (Tokyo), 29 April 1996. From July to September of the same year, the dispute over Diaoyutai, or Senkaku Islands flared up again between Japan, Taiwan, and China. See *Lian He Pao*, 18, 19 July 1996, 22 August 1996, and 1 September 1996.
3. *EIU Country Report: Vietnam* (4th quarter, 1996).
4. Ibid.

CHANG PAO-MIN is currently Professor at the Graduate Institute of Political Economy, National Cheng Kung University, Tainan, Taiwan.

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The Rise of State Corporatism in Vietnam*

YEONSIK JEONG

One social consequence of economic reform in Vietnam has been the proliferation of non-state socio-economic organizations that represent diversified and often conflicting socio-economic interests. The purpose of this article is to examine the relationship between the Vietnamese state and interest groups and the factors that have shaped the relationship. The article concludes that the Communist Party of Vietnam has institutionalized a state-corporatist system which enables the party to effectively control and manage the emerging interest groups.

Introduction

Since the introduction of free market reforms in 1986, Vietnam's economy has been growing rapidly. The period 1991–94 recorded a remarkable 7.9 per cent annual rate of gross domestic product (GDP) growth. The average annual industrial growth rate improved from 0.6 per cent between 1976 and 1980 to 5.9 per cent between 1986 and 1989 and to 13.4 per cent between 1990 and 1995. The growth rate continues to accelerate: in the first half of 1996, GDP expanded by 9.3 per cent while the rate of inflation decreased to 3.3 per cent. The proportion of low-income households declined from 55 per cent in 1990 to 20 per cent in 1994.[1] Besides these impressive economic indicators, Vietnam's recent joining of the Association of Southeast Asian Nations (ASEAN), the normalization of diplomatic relations with the United States, and burgeoning foreign investment, support the belief that Vietnam will become another Asian tiger.[2]

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Along with economic growth, the introduction of a market economy has also stimulated significant social change in Vietnam. One of the most conspicuous is the proliferation of non-state, relatively autonomous socio-economic associations — vocational groups, research institutes, recreational clubs, professional associations, and so forth. An increasingly diversified economy has created a bewildering range of occupational associations, such as the Vietnam Bankers Association, the Vietnam Linguists Association, and the Vietnam Dancers Association.[3] Other noteworthy organizations are the Vietnam Consumers Association founded in 1994, and the Industrialist Association of Ho Chi Minh City, organized by local entrepreneurs in 1989. In addition, a number of moribund organizations have been revitalized: the Vietnam Peasants Association, the Vietnam Journalists Association, the Vietnam Writers Association, the Vietnam Federation of Physicians and Pharmacists, and the Vietnam Lawyers Association, to name but a few.[4] By 1990, there were reportedly 124 nation-wide and 300 provincial socio-economic associations.[5]

Since one of the major features in the underlying logic of a market economy is free competition, one can expect increasing conflicts of interests among these groups as well as between these groups and the state, representing diverse socio-economic interests in Vietnam. Recent peasant protests and worker strikes in Vietnam indicate that collective action driven by self-interest is no longer an unusual phenomenon in the country.[6] That situation prompts many questions. How are the diversified socio-economic interests articulated and aggregated, given that the Communist Party of Vietnam (CPV) claims to be the only legitimate interest-representing institution within the policy-making process? Is the CPV able to control and manage various and often conflicting demands? If so, how does the CPV do it? This article will attempt to show that the CPV has effectively institutionalized state corporatism to control and manage the emerging socio-economic interest groups.

Competing Models: Pluralism and Neo-Traditionalism

It has become almost axiomatic to argue that an open economy cannot continue without giving rise to a pluralist political system. In fact, some observers have cautiously argued that pluralism is "creeping" into Vietnam.[7] Despite the proliferation of various socio-economic groups, which is often considered a harbinger of pluralism in discussions of civil society, Vietnam is not likely to move quickly in this direction. CPV leaders, both conservatives and reformists alike, have ceaselessly emphasized that the Party is determined not to tolerate any

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attempt to construct a pluralist democracy. The CPV upholds four principles which are almost identical to China's Four Cardinal Principles: adherence to the socialist path, unquestioned leadership of the CPV, the dictatorship of the proletariat, and Marxist-Leninist-Ho Chi Minh Thought.[8] These principles leave no ground for an alternative political entity. In 1990, General Secretary Nguyen Van Linh had asserted at an army generals' conference that "the Party intends to purge all members who advocate a multi-party system for Vietnam or endorse any form of pluralism".[9] Furthermore, the Party has identified pluralism with imperialism, which is a powerful rhetorical weapon of overwhelming appeal to the Vietnamese people.[10] Advocating pluralism in Vietnam may suffer a national nemesis.

Some scholars have contended that corporatism is not able to properly encompass communist state-society relationships because of a fundamental difference in the approaches of communism and corporatism towards society. Andrew Walder, advocating his neo-traditionalism model, argues:

> All varieties of corporatism, however authoritarian or repressive they may be, differ from the communist state in one respect: they recognize as natural the existence of private interest groups. Corporatism ideally seeks to manage the associated conflicts for the good of the nation (as it is defined by the rulers); communism seeks to reorganize society in such a way that private interest groups cannot find organized expression or even a clear social identity.[11]

Instead, according to Walder, communist parties establish an array of organizations filled with party cadres that penetrate right down to the "shop floor" so as to atomize potential interest groups. Today, however, many interest groups with clear socio-economic identities do exist in Vietnam, as well as China. Walder mistakenly assumes that a regime employs only one method of social control — for example, implanting party cadres in every work unit. Rather than representing two mutually exclusive concepts, corporatism and neo-traditionalism differ in the target unit of state control: the former, groups, and the latter, individuals. Hence, they can coexist and complement each other.

For a number of reasons, state corporatism seems to be a viable option for the CPV. First, there is little structural difference between the Leninist principle of social organization and that of state corporatism. As part of the communist political system, mass organizations already exist under the party's command: the Vietnam General Confederation of Labour (VGCL), the Vietnam Peasants' Association (VPA), the Ho Chi Minh Communist Youth Union (HCMCYU), and the Vietnam Women's Union (VWU). These organizations have always served

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as an effective means to persuade the general public to carry out party lines and policies.[12] Secondly, the sheer size of these organizations provides an institutional link between the grass-roots and the Party, membership of which has not increased in spite of its massive recruiting effort.[13] Thirdly, Vietnamese leaders are familiar with corporatist techniques necessary for controlling mass organizations. Their rich experience in mass mobilization work seems to offer Party leaders extra confidence in mass organizations. Fourthly, corporatism fits nicely into the party's scheme of political renovation, which allows limited participation within the confines of one-party rule. According to Lewis Stern, Nguyen Van Linh explictly sought to enhance the autonomy of mass organizations as part of political reform, which included broadening political participation by non-party entities.[14] Finally, the underlying principle of corporatism — an organic and harmonious society[15] — is consonant with the core of Confucian tradition that is still robust in Vietnam. State corporatism flourished in the Iberian and South American countries with a rich tradition of Catholicism, which also put great emphasis on an organic and harmonious social structure. Hence, the legacy of Confucian ideology in Vietnam could be institutionalized swiftly in the form of state corporatism.

One typical problem in using corporatism as an analytical framework is its conceptual broadness and looseness. Unless proper specifications and disaggregations are made, corporatism may become little more than a residual category that can be used to explain almost all state–society relationships.[16] This problem of conceptual ambiguity is addressed through Philippe Schmitter's conceptual framework, which is meticulous enough to make corporatism a distinctive pattern of interest representation. According to Schmitter, state corporatism is:

> a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports.[17]

Inventing State Corporatism

It appears that the CPV has deliberately and consistently sought to institutionalize state corporatism since the early stages of economic reform. The "wave of democratization" generated by the collapse of communist regimes in Eastern Europe and the Tiananmen incident in China in June 1989 did reach Vietnam, albeit without much force.

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Stimulated by the dramatic events in fraternal socialist countries, voices calling for political liberalization began to emerge in Vietnam. In August 1989, for example, a group of Catholic leaders in Vietnam requested the Archbishop of Saigon to disband the Committee for Solidarity for Patriotic Catholics, the only authorized representative organization of the Catholic community in Vietnam.[18] It was an attempt to test the shield of the Catholic Church against the CPV. The Club of Former Resistance Fighters (Cau Lac Bo Khang Chien Cu), a mutual aid association for war veterans, began to express overtly political opinions, sometimes criticizing party policies. Perhaps the most brazen challenge, however, came from within the party: a Politburo member Tran Xuan Bach publicly advocated a multi-party system.

The party Central Committee Eighth Plenum was convened in March 1990 mainly to cope with this unprecedented situation and it discussed strategies for the "renewal of the party's leadership over the masses". As Nguyen Van Linh's speech to the closing session revealed, the leadership was deeply concerned with the "crisis in socialist countries", that was seemingly spreading to Vietnam. Party leaders displayed unequivocal unity on a conservative position and made a unanimous decision to expel Tran Xuan Bach from the Politburo. It was an explicit warning to liberals both inside and outside the party. The ensuing personnel changes brought more conservative figures into the Politburo.[19]

The outcome of the Plenum was Resolution No. 8B, which the leadership reached after months of circulation and two weeks of deliberation: a platform titled "renovating mass-proselytizing work and truly developing the people's right to mastery", which contains distinctly corporatist strategies designed to "always maintain close contacts with the people" via mass organizations.[20] The platform argued:

> Together with various political and social groups, in the new stage, various mass organizations must be set up to meet legitimate requirements arising from the people's lives and trades ... Political and social groups must be self-motivated in building and joining these organizations and through this, motivate the masses to implement the various party and state lines and policies.[21]

The platform also included quite specific measures to be used to incorporate diversified socio-economic interests into mass organizations. For instance, the platform urged existing mass organizations to absorb all the smaller groups in kind: the Ho Chi Minh Communist Youth Union (HCMCYU) was encouraged to subsume all student associations, youth association chapters, and the General High School Student Association.[22]

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However, many mass organizations had gradually atrophied after the end of the war. According to Turley, the CPV intentionally let some of them disintegrate to prevent them from making demands that might conflict with the party lines and policies.[23] The reform policies of *doi moi* brought about a new situation that led the Party to appreciate again the necessity of mass organizations. A turning point was the rising peasant discontent in the late 1980s regarding land redistribution in the process of decollectivization in the Mekong Delta area. Some peasants demonstrated their "organized anger" by marching in district and provincial towns. In September 1988, the situation came to a head when a huge number of peasants gathered in front of the Ho Chi Minh Communist People's Committee building and demanded an outright solution. The Party responded with a new policy that mandated the return of illegally or arbitrarily appropriated land to the peasants.[24] The collective action of peasants against the Party and the government was troubling enough for the Party to search desperately for more institutionalized measures to put the peasants as well as other sectors under control. The answer was to rejuvenate mass organizations. In the wake of peasant protests, for instance, the moribund Collective Peasants' Association was reconstructed by the Party and renamed the Vietnam Peasant Association (VPA). As of August 1996, the VPA comprised 10,000 chapters with seven million members. It has been expanding with various welfare activities designed to attract members, such as mobilizing local capital to provide farmers with non-interest loans.[25]

An editorial in the Party paper, *Nhan Dan*, provides evidence that the Party leadership perceives mass organizations as vital to the survival of Communist Party rule. It stressed that "the major factor deciding the nature of socialist democracy is whether the leadership of the party can develop the role of the state and mass organization".[26] Correspondingly, the CPV has a special institution within the Central Committee exclusively responsible for mass mobilization: the Commission for Mass Mobilization chaired by Vu Oanh, a Politburo member.[27] Vu Oanh directs and co-ordinates all Party and government activities dealing with socio-economic associations. One of the main tasks of the Commission is to organize national training courses for local cadres in charge of mass mobilization. In 1990, for example, a group of 329 leading cadres of agencies attached to the Commission took a training course to study the Eighth Plenum resolution.[28] In addition, the Commission regularly convenes national conferences to review and plan mass mobilization work.[29]

The strategic focal point in Resolution 8B was given to the Vietnam Fatherland Front (Mat Tran To Quoc Viet Nam, VFF), an umbrella organization encompassing twenty-five mass organizations, including

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its four pillars, the VGCL, VPA, HCMCYU, and VWU. Founded in 1930 as the Anti-Imperialist Alliance, a united front organization, the Front adopted its present name in 1955. In addition to monitoring and co-ordinating the activities of all the mass organizations, it has sole responsibility for approving candidates for the National Assembly. Although the VFF is legally an independent organization, it is under the direct control of the Party, which itself is a member of the VFF.[30] The resolution recommended that the Front be reinvigorated so as to effectively work as the leader and co-ordinator of all socio-economic organizations.[31] The Political Report delivered to the Eighth National Party Congress also emphasized the VFF's role in leading mass organizations and urged "continued efforts to revamp the structure and operating procedures of the FF".[32]

The strategic weight the Party puts on the VFF and the degree of Party involvement are well illustrated by its personnel. At the time of the Party Central Committee Eighth Plenum, the general secretary of the VFF Central Committee was Vice Premier Phan Van Khai. Pham The Duyet, a Politburo member and Hanoi Party chief, was also added to the presidium to step up the mobilizational work of the Front. Another notable person within the VFF Central Committee is Vu Oanh who, as noted, heads the Mass Mobilization Department in the Party Central Committee. Top Party leaders have also expressed their engagement with the VFF by attending the Front's congresses and other meetings. A press report of the Fourth National Congress of the VFF, for example, stated that the congress "was honoured by the presence of Do Muoi, General Secretary of the CPV Central Committee; Le Duc Anh, President of the state; Vo Van Kiet, Prime Minister; and Nong Duc Manh, Chairman of the National Assembly".[33] Heavy media coverage of the sixty-fifth anniversary meeting of the VFF also highlighted the presence of most of the Hanoi top leadership. A press report described: "it seems clear the Fatherland Front has been chosen by the Politburo as the central mechanism for its all-out mobilization (agit-prop) campaign to imbue a new spirit of revolutionary fervour among the general Vietnamese population".[34] The intensity of the campaign, which lasted about six months, indicates that the Party leaders, in their search for greater control of society, are relying heavily on the Front.

As soon as Central Committee Resolution 8B was publicized, the Party began to carry out the platform, first with an attempt to rebuild the HCMCYU which had been shrinking in its supplementary role as a party wing. The membership of the HCMCYU had also decreased as the younger generation found little incentive in joining the union. Criticizing the Union's limited influence over youths, a *Nhan Dan* editorial urged the Union to rebuild itself as a connecting link between the Party

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and youths.[35] The Party Statute adopted at the Eighth National Party Congress reserves a separate chapter for the HCMCYU, emphasizing the responsibility of the Party to maintain a close relationship with the HCMCYU.[36]

In July 1993, the Party Politburo turned its attention to the VWU and issued a resolution on renovating and strengthening women's mobilization work, the essence of which was to assign "competent cadres" to those working units where women were the majority.[37] Considering that women account for 51.48 per cent of the population and 52 per cent of the labour force, the VWU's role is crucial. As the market economy brought in growing signs of gender inequality, the Party made new laws and policies to help the VWU in the work-place. The labour law reserves a whole chapter (Chapter 10) exclusively for female labour, and the government issued Decree 23/CP which provides guidelines for achieving gender equality among workers.[38]

Structural Characteristics

Yet, an explicit pursuit of state corporatism does not necessarily guarantee the successful institutionalization of state corporatism. The degree of institutionalization can be measured by the eight structural conditions specified in Schmitter's definition — state control, state authorization, representational monopoly, singularity, non-competitiveness, functional categorization, compulsory membership, and hierarchical order. As will be demonstrated below, the Vietnamese political system satisfies nearly all of these conditions.

State Control and Authorization

State control of socio-economic groups is the ultimate goal as well as the most significant condition of state corporatism. An indispensable tool for maintaining state control is state authorization, making unauthorized groups and organizations illegal. As of June 1990, there were reportedly 124 nation-wide organizations and 300 local organizations, all of which are authorized or licensed by the government, and required by law to report their activities regularly.[39] In fact, the Party and the government are deeply involved in these organizations from their establishment to their daily operation. Controlling socio-economic associations is one of the self-defined goals of the CPV. The Party Statute specifies in Article 41 that the Party recommends qualified cadres for selection and employment by mass organizations and that the Party "shall supervise the institutionalization of state laws and the objectives of mass organizations and shall ensure the effective implementation of

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these laws and objectives". Article 42 is more specific about the way the Party controls mass organizations:

> the party committee of the same level shall establish party groups composed of a number of party members to work in those organizations. Wherever such party groups are not established, the basic party organizations of these organizations shall assume the leadership function in accordance with the stipulations of the party Central Committee Political Bureau.[40]

This is a method of strengthening party leadership over mass organizations by implanting party leaders in the mass organizations. Vu Oanh explicitly advocated that "it is necessary to assign party cadres and members to oversee or take part in the activities of mass societies so as to assess the actual situation of each organization".[41] Hence, it is not surprising to find that members of the Party Central Committee held key leadership posts in major organizations and that Party groups (Dang Doan) dominate their executive committees.[42] At the Eighth National Party Congress held in June 1996, nine Central Committee members held leadership posts in major organizations (see Table 1).

Another notable feature of the CPV's corporatist control is the VFF. It is VFF's *raison d'être* to perfect the Party's mission to control all socio-economic associations. As mentioned earlier, all associations from special interest groups to mass organizations are required to join the VFF, which is directly controlled by the state. Legally subject to the

TABLE 1
Leaders of Socio-economic Organizations in the Central Committee of the CPV

Tran Van Dang	Secretary General of the VFF Central Committee
Nguyen Van Tu	Chairman of the VGCL
Cu Thi Hau	Vice Chairman of the VGCL
Trung My Hoa	Chairwoman of the VWU
Vo Thi Thang	Vice Chairwoman of the VWU
Vu Trong Kim	Secretary of the HCMCYU Central Committee
Ho Duc Viet	First Party Secretary of the HCMCYU
Nguyen Duc Trieu	Vice Chairman of the VPA
Tran Mai Hanh	Secretary of the Vietnam Journalist Association

SOURCE: Voice of Vietnam Network 0811 GMT, 1 July 1996, in Foreign Broadcast Information Service-EAS-96-129, 3 July 1996, pp. 67–70.

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control of the VFF, even previously independent and autonomous associations have gradually relinquished control over their internal affairs to the CPV. In such an organizational matrix of tight strings, there can be little space for organizational activity independent from state intervention. Thayer observes that "attempts to act independently of, or form associations autonomous from, the state has invariably led to repression".[43]

Representational Monopoly, Singularity, and Non-competitiveness

Once authorized, socio-economic organizations are automatically endowed with representational monopoly because the Vietnamese state in principle authorizes only one organization for each socio-economic category. Singularity is an essential condition of corporatism for it simplifies the task of state control by minimizing the number of groups to be controlled. As Hirschman notes, demands are very likely to increase if they are backed up by the "threat of exit". Without an alternative organization to join, there is not even the "possibility of exit".[44]

The CPV has taken a solid position on maintaining the singularity of each and every socio-economic category. A case in point is the Vietnam War Veterans Association (VWVA). In 1986, a mutual aid association named the Club of Former Resistance Fighters, was founded in southern Vietnam by well-known military and political figures including General Tran Van Tra, former Saigon party chief Tran Bach Dang, and former HCMC People's Committee chairman Nguyen Ho. Soon the Club became overtly political and expressed its opinions in its magazine *Tradition of Resistance* (*Truyen Thong Khang Chien*) which was quite popular even among the general public. Furthermore, the Club attempted to become a nation-wide organization by linking up with some veterans in the north.[45]

Worried about the growing popularity of the Club, its increasingly overt political activities, and its potential influence over the huge veteran community, the Party decided in early 1990 to terminate the Club and create an alternative organization, the Vietnam War Veterans Association (Hoi Cuu Chien Binh Viet Nam, VWVA), which strictly follows the directives issued by the government.[46] With extensive Party support, including financing, the VWVA co-opted the leaders and absorbed most individual members of the Club. Within a year, the VWVA had grown into a huge organization with forty-four provincial chapters across the country and a membership of 900,000.[47] Not unexpectedly, the Club of Former Resistance Fighters gradually withered away. Do Muoi's address to the first national congress of the VWVA

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held in November 1992 formally confirmed that the VWVA was the only organization authorized by the state to represent the interests of war veterans, and called on all veterans to turn revolutionary heroism to defend the socialist fatherland and the party.[48] Its organizational goal defined by the Party, which is to "build and defend socialism, protect the party and revolutionary gains, and oppose pluralism and the multi-party system",[49] also demonstrates that it is a corporatist organization existing to serve the state rather than its members.

Another telling case is the Vietnam Buddhist Church (VBC). The Party ordered in 1981 that all Buddhist churches in Vietnam be organized under the VBC. However, some dissident Buddhists refused to join the VBC and organized the Unified Buddhist Church of Vietnam (UBCV), which became increasingly critical of the Party. Protecting the VBC as the only legitimate organization for Buddhists, the Party used every measure available to dissolve the Unified Buddhist Church of Vietnam. All the important figures of the UBCV were imprisoned or put under house arrest, and their pagoda properties were appropriated.[50] In July 1995, Thich Quang Do, General Secretary of the UBCV, and four other monks were sentenced at a one-day trial to a maximum of five years in jail for disseminating documents about Vietnam's religious repression and human rights violations. The official charge was that they took "advantage of the right of freedom and democracy to damage the interests of government and social organizations".[51] In the following month, the government's board of religious affairs ordered the dissolution of the "Gia Dinh Phat Tu", an independent "Buddhist Youth Movement" founded more than fifty years ago, which was said to have more than 300,000 young Buddhists aged six to eighteen years, and turned it into the "Buddhist Boys and Girls", a state-authorized organization attached to the VBC.[52]

Functional Categories and Compulsory Membership

Socio-economic organizations in pluralist societies define their own functional categories of interest and action. In Vietnam, in contrast, the state defines and assigns functional categories to mass organizations. For example, in an effort to enhance the VGCL's operational efficiency in dealing with the growing industrial sectors, the CPV has introduced subdivided industrial categories along with parallel changes in the organizational structure of the VGCL. Under the command of the VGCL are the commerce and tourist sector union, the agricultural and food industry sector union, the communications and transportation sector union, the machinery and metallurgy sector trade union, the oil and natural gas sector trade union, the banking sector union, and so on.

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When the boundaries of functional categories are clearly defined by the state and only one organization is allowed for each functional category, individual members are virtually deprived of choice. If self-interest is served by joining a given organization and there is no alternative organization to join, then membership becomes virtually compulsory. To take the case of trade unions, the VGCL reported in May 1996 that the membership had steadily increased to more than half of the total workers. Many workers have voluntarily joined trade unions as many grass-roots trade unions, especially in joint ventures, have improved their protection of worker rights and interests. In an interview with the author, a female worker said that she joined the union as soon as she witnessed the union leaders doing their best on behalf of the workers.[53] A union leader of a baggage factory proudly said that the union started with only one-third of the workers, but after a labour dispute the membership increased to two-thirds.[54]

Hierarchical Order

A hierarchical structure is crucial for effective state control. Otherwise, the state control mechanism becomes more complex and costly. Mass organizations in Vietnam are very hierarchical in their internal structure. The VGCL, the largest organization in terms of the number of constituent organizations, is a case *par excellence*. As of 1996, the VGCL consisted of 35,184 grass-roots trade unions with 3.29 million members, which is about half the total number of workers.[55] Despite its sheer size, it is very hierarchical not only in structure but also in its internal communication pattern. All grass-roots trade unions are members of district trade unions, which in turn constitute provincial federations of trade unions, which along with the sectoral unions constitute the VGCL.[56] The command line also appears to be hierarchically structured. An expatriate manager of a foreign company that had a labour dispute complained that the factory trade union was under the complete control of the district trade union. He explained:

> They [the factory trade union] did not strike when I was expecting and ready to concede if they did. We talked about the issues and their demands. To me [it appeared that] they were not thinking about strike. And we were about to reach a compromise. But a few days later, after they met people from the district union, they changed their minds and went on to strike. They [the district trade union] must have ordered. The real partner [for negotiation] was the district union until it was over.[57]

When asked about the relationship of the factory union with the district union, the leader of the factory trade union replied:

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> It is very important to us. They [the district union] are very helpful. They give us good information and advice. We don't really know all the laws. We shouldn't do illegal things. So when we have a problem, we ask them about options we have. They tell us options we can do and what's best for us to do to solve the problem.[58]

Commitment and Strategies

It has been found that the interest-representation system in Vietnam satisfies nearly all of the structural conditions of state corporatism suggested by Schmitter: socio-economic associations in Vietnam are singular, nearly compulsory, non-competitive, hierarchical, functionally differentiated, licensed and controlled by the state, and endowed with representational monopoly. The successful construction of state corporatism can be attributed first of all to the focused commitment of the CPV. The Party has placed a tremendous emphasis on the role of mass organizations — that is, interest representation and mass mobilization, thereby amplifying the value and improving the status of authorized organizations. Party leaders have persistently publicized their extraordinary commitment to renovating the Party–mass relationship through mass organizations. General Secretary Do Muoi, for instance, has urged mass mobilization workers of the Party to improve their work by enhancing their knowledge in the increasingly diversified society and economic and social management.[59] Vu Oanh has frequently published articles on the revitalization of mass organizations. He has prescribed the proper role of mass organizations in the task of socialist construction, called for greater effort to complete the mission of mass mobilization, and provided specific "formulas" for mobilizing mass organizations at primary levels.[60] Needless to say, a strong commitment of the Party leadership has put tremendous pressure upon Party cadres who have to supervise the mass organizations.

Vietnamese leaders, furthermore, have sought through various symbolic means to enhance the value and meaning of mass organizations. One outstanding way is for top political figures to be present at meetings and congresses of the mass organizations. In November 1993 alone, for example, General Secretary Do Muoi attended the Seventh National Congress of the VGCL, and held a "cordial meeting" with the leading cadres of the HCMCYU Central Committee, the Second National Congress of the VPA (along with President Le Duc Anh, Prime Minister Vo Van Kiet, and Chairman of the National Assembly Nong Duc Manh), and the Fifth National Congress of the Vietnam Students' Association.[61]

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The presence of top political figures at conventions organized by the socio-economic associations carries a symbolic meaning that can have a tremendous impact on members' evaluation of their organizations. A district union official recalled:

> Comrade Do Muoi was there [at the conference]. That was exciting and wonderful. He encouraged us [trade union cadres] with enthusiasm that we must work hard to protect workers' rights and interests. He said that's what trade unions do. I was deeply impressed.[62]

Of course, the mere presence of top political leaders does not automatically generate popular member support for the organization. Such a strategy without responsive policies and measures may result in widespread cynicism. The Vietnamese leaders are keenly aware of this pitfall. In their speeches they endeavour to link new policies and laws to the needs of the relevant mass organizations. Credit for any tangible benefits are given to the organizations. For example, it was not the Ministry of Labour, War Invalids, and Social Welfare (MLWS) but the VGCL that first introduced the revised Trade Union Law to the public and submitted it to the National Assembly, even though the law was prepared by the MLWS.[63]

Another corporatist strategy taken by the CPV is to organize meetings frequently with corporatist organizations in which participants are allowed to make candid demands. The Political Report presented to the Eighth National Party Congress designates mass organizations as the chief medium of communication: "The party and state should regularly brief and seek opinion from the VFF on major decisions and policies".[64] In his address to the second congress of the VPA, Do Muoi emphasized that the VPA "must serve as a backbone force in the mass movement, attentively listen to and promptly give feedback to the party on critical peasant views, as well as feelings and aspirations".[65] It seems that the Party considers corporatist organizations not only as organs of social control but also as a legitimate and useful source of information. Encouraged by this strategy, meetings and congresses of mass organizations have become more like a public forum than a political ritual, where relatively free expressions of group interest can be heard. For example, at the first national congress of the VPA, held in March 1988, delegates made numerous demands, including that peasants should be guaranteed at least 40 to 50 per cent of their crop and that the co-operative management apparatus should be reduced by at least half.[66] In May 1996, the Ministry of Planning and Investment hosted a meeting with foreign investors and domestic business representatives to discuss measures to boost foreign investment. Domestic businessmen at the meeting reportedly criticized the investment

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policies, especially the procedures for adding investment capital for projects in operation, change in tax policies, and the auditing system.[67]

For continuous economic growth, it is necessary for the policy-makers to take special heed of problems facing the business community. Not surprisingly, the Vietnam Chamber of Commerce and Industry (VCCI) is heavily engaged in the policy-making process. A "Decision of Prime Minister" issued in 1993 guarantees full government support of the VCCI.[68] Article 1 of the Decision stipulates that all government organs "shall have the responsibility of creating favourable conditions and rendering assistance to VCCI". Article 2 offers a more detailed prescription about the relationship between the government and the VCCI:

> The VCCI shall have the responsibility of offering its own suggestions and advice to Government organs and people's committees of provinces and cities under central authority in the drafting and organized implementation of economic institutions and policies for the purpose of improving the business environment, providing appropriate guidance and assistance, and creating favourable conditions for the operation of business enterprises in all sectors of ownership.

Article 3 of the Decision addresses the institutional form of communication between the government and the VCCI.

> The VCCI shall have the responsibility of collecting the views and suggestions of the business community for report to the Prime Minister, and organizing contacts between representatives of business enterprises and Government organs for discussions on matters concerning the activity of the business community.

Article 3 has been put in practice exactly as it is stated. In the summer of 1993, at a meeting arranged by the VCCI, for example, Vice Premier Phan Van Khai met 130 businessmen from the HCMC in an effort to "study local businessmen's aspirations and the advantages or disadvantages confronting local production and business establishments".[69] In February 1995, the HCMCCCI organized a similar meeting in which Prime Minister Vo Van Kiet participated. Fifteen businessmen, representing the rest of the participants, "presented their views on state policies concerning issues of capital, information, export-import activities, tax, cooperation and investment". Many complained about the shortage of capital, demanding that the government pull down interest rates and make mid-term and long-term loans available. Premier Kiet made a sincere promise that the government would do its best to satisfy the suggestions raised.[70]

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Furthermore, Article 4 of the Decision offers the VCCI a privileged position in terms of accessibility to the government. Article 4 stipulates that "the president of the VCCI shall be invited to take part in government meetings where the relevant matters are discussed". A VCCI president proudly confirmed that the president had been a de facto member of ministerial meetings as far as industrial matters were concerned.[71] With all these institutional devices of governmental support, the VCCI claims that the chamber has been "effective as a voice of business and as an adviser to the government", and would continue to be a "bridge connecting the government and business".[72]

Conclusion

The CPV has successfully institutionalized state corporatism as the basic means to control and manage the proliferation of socio-economic interest groups in Vietnam. Its success can be attributed to the clearly defined goals, the strong commitment of the leadership, and the effective strategies employed. Various corporatist techniques utilized by the CPV, such as top political figures attending conventions and their friendliness, can further increase the sense of participation by leading interest groups to believe that they are closely connected to the state and their voices are sincerely heard. Such a corporatist co-optation, with an implicit threat of repression, can reduce societal demands for outright democratization. The alternative being state repression, it is rational for interest groups to attempt to maximize their influence within the state-corporatist system. In this respect, state corporatism can be considered an effective survival strategy for communist parties practising so-called "market socialism", and the combination of market socialism and state corporatism can be suggested as a viable development strategy for the few remaining communist countries, one of which is North Korea.

To be sure, state-corporatist organizations cannot fully perform all the functions that interest groups in a pluralist system do. By definition, state-corporatist organizations are placed under the tight control and supervision of the state. Nevertheless, the Vietnamese case illustrates that state-corporatist organizations may serve as a communication channel through which societal demands are delivered to the state. After all, a state-corporatist system with improving performance of mass organizations is better than what Robert Dahl calls a "closed hegemony" where the masses have no organized access to the policy-making process.[73]

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NOTES

* This article is based on interviews conducted in Vietnam in 1996 sponsored by the Center for Asian Studies, University of South Carolina. The author wishes to thank the Center for its generous support, and Professor Donald E. Weatherbee for careful reading and valuable suggestions.

1. Vietnam News Agency (hereafter cited as VNA) 1459 GMT, 30 August 1995, in *Foreign Broadcast Information Service, East Asia* (hereafter cited as FBIS-EAS)-95-169, 31 August 1995, p. 52; VNA 0625 GMT, 23 July 1996, in FBIS-EAS-96-142, 23 July 1996 p. 87; VNA 1413 GMT, 26 November 1994, in FBIS-EAS-94-229, 29 November 1994, p. 75.
2. For example, see Hoang Ngoc Nguyen, "The Scope and Prospects of Foreign Investment in Vietnam", *Contemporary Southeast Asia* 14, no. 3 (December 1992): 244–56. For a contrasting view, see A. Terry Rambo, "Environment and Development in Vietnam" (Paper presented at the Association for Asian Studies Annual Meeting, Washington D.C., 6–9 April 1995). As of June 1995, more than 700 companies from 50 countries had invested over US$14 billion dollars in Vietnam. VNA 1459 GMT, 30 August 1995, in FBIS-EAS-95-169, 31 August 1995, p. 52.
3. VNA 1434 GMT, 21 May 1994, in FBIS-EAS-94-100, p. 59; VNA 0701 GMT, 17 April 1990, in FBIS-EAS-90-075, 18 April 1990, p. 55; Hanoi Domestic Service (hereafter cited as HDS) 0500 GMT, 12 June 1990, in FBIS-EAS-90-116, 15 June 1990, p. 73.
4. Voice of Vietnam Network (hereafter cited as VVN) 1100 GMT, 29 May 1994, in FBIS-EAS-94-107, 3 June 1994, p. 60; *Indochina Chronology* (hereafter cited as IC) 8, no. 1 (1989): 7; IC 7, no. 1 (1988): 8; IC 8, no. 4 (1989): 5; IC 9, no. 4 (1990): 9; and IC 12, no. 2 (1993): 7.
5. IC 9, no. 2 (1990): 8.
6. From 1989 to 1996, 214 cases of labour disputes were officially reported. VVN 1430 GMT, 30 May 1996, in FBIS-EAS-96-106, 31 May 1996, p. 93. A recent example of peasant collective action was the violent clash in 1996 between police and about 1500 peasants who had attempted to block the construction of a golf course in northern Vietnam. See IC 25, no. 2 (1996): 4.
7. See, for example, Gareth Porter, "The Politics of 'Renovation' in Vietnam", *Problems of Communism* 39, no. 3 (1990): 72–88; and Kai M. Schellhorn, "Political and Economic Reforms in Vietnam", *Contemporary Southeast Asia* 14, no. 3 (December 1992): 231–43.
8. See Brantly Womack, "Reform in Vietnam: Backwards Towards the Future", *Government and Opposition* 27, no. 2 (Spring 1992): 177–89.
9. IC 9, no. 3 (1990): 12.
10. For example, see Nguyen Van Linh's speech at a Vietnam General Confederation of Labour (VGCL) meeting, HDS 1430 GMT, 16 May 1990, in FBIS-EAS-90-097, 18 May 1990, pp. 51–56.
11. Andrew Walder, *Communist Neo-Traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986), p. 87.
12. William S. Turley, "Political Participation and the Vietnamese Communist Party", in *Vietnamese Communism in Comparative Perspective*, edited by William S. Turley (Boulder: Westview, 1980), pp. 171–97, 179.
13. As of 1996, the Party was officially said to have about 2.2 million members, which is less than 3 per cent of the total population. *Asia Times*, 24 June 1996, p. 1, in FBIS-EAS-96-123, 25 June 1996, p. 101.
14. Lewis M. Stern, *Renovating the Vietnamese Communist Party: Nguyen Van Linh*

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and the Programme for Organizational Reform, 1987–1991 (Singapore: Institute of Southeast Asian Studies, 1993).

15. See Alfred Stepan, *The State and Society: Peru in Comparative Perspective* (Princeton: Princeton University Press, 1978).
16. This point is emphasized in Peter Williamson, *Varieties of Corporatism: Theory and Practice* (Cambridge: Cambridge University Press, 1985), ch. 1.
17. Philippe C. Schmitter, "Still the Century of Corporatism"? in *The New Corporatism: Social-Political Structures in the Iberian World*, edited by Fredrick B. Pike and Thomas Strich (Norte Dame: University of Norte Dame University Press, 1974), pp. 85–131, 94–95.
18. Carlyle A. Thayer, "The Challenges Facing Vietnamese Communism", *Southeast Asian Affairs* (Singapore: Institute of Southeast Asian Studies, 1992), pp. 349–64, 358.
19. According to Russell Heng Hiang Khng, after Nguyen Van Linh's retirement in the following year, only four of thirteen Politburo members could be regarded as reformists. See his "Leadership in Vietnam: Pressures for Reform and their Limits", *Contemporary Southeast Asia* 15, no. 1 (June 1993): 98–110, 104.
20. AFP 1134 GMT, 12 March 1990, in FBIS-EAS-90-048, 12 March 1990, pp. 65–66; HDS 1100 GMT, 28 March 1990, in FBIS-EAS-90-060, 28 March 1990, pp. 66–67.
21. HDS 1100 GMT, 24 April 1990, in FBIS-EAS-90-080, 25 April 1990, pp. 51–55.
22. Lewis M. Stern, *Renovating the Vietnamese Communist Party*, pp. 97–99.
23. Ibid., p. 185.
24. Murray Hiebert, "Collective Anger", *Far Eastern Economic Review* (hereafter cited as *FEER*), 19 January 1989, p. 19; Thayer, "Challenges Facing Vietnamese Communism", pp. 351–54.
25. *Viet Nam News*, 1 August 1996, pp. 1–2.
26. *Nhan Dan*, 16 November 1989, p. 3, quoted in Lewis M. Stern, *Renovating the Vietnamese Communist Party*, p. 96.
27. VVN 1100 GMT, 1 January 1992, in FBIS-EAS-92-012, 17 January 1992, p. 72.
28. HDS 1100 GMT, 12 June 1990, in FBIS-EAS-90-114, 13 June 1990, p. 57. For 1994, see VVN 1430 GMT, 16 August 1994, in FBIS-EAS-94-159, 17 August 1994, p. 88; and VVN 1100 GMT, 28 August 1994, in FBIS-EAS-94-169, 31 August 1994, p. 97.
29. Vietnam Television Network 1200 GMT, 24 November 1992, in FBIS-EAS-92-234, 4 December 1992, p. 56; VVN 2300 GMT, 12 June 1993, in FBIS-EAS-93-114, 16 June 1993, pp. 57–58; and *Lao Dong*, 12 May 1996, p. 1, in FBIS-EAS-96-099, 21 May 1996, pp. 99–100.
30. In many respects, the VFF is very similar to Indonesia's Golkar. For an excellent study of Golkar, see David Reeve, *Golkar of Indonesia: An Alternative to the Party System* (Singapore: Oxford University Press, 1985).
31. *Nhan Dan*, 29 January 1991, p. 1, in FBIS-EAS-91-033, 19 February 1991, pp. 53–54.
32. *Quan Doi Nhan Dan*, 30 June 1996, pp. 3–6, in FBIS-EAS-96-134, 11 July 1996, pp. 71–100.
33. VNA 1252 GMT, 17 August 1994, in FBIS-EAS-94-159, 17 August 1994, p. 84.
34. IC 24, no. 4 (1995): 5.
35. *Nhan Dan*, 26 March 1990 and HDS 2300 GMT, 25 March 1990, in FBIS-EAS-90-061, 29 March 1990, p. 66.
36. Chapter 10 of the Party Statute: see *Tap Chi Cong San*, 13 July 1996, pp. 28–37, in FBIS-EAS-96-153, 7 August 1996, pp. 59–71.
37. VVN 0500 GMT, 25 July 1993, in FBIS-EAS-93-143, 28 July 1993, p. 88.
38. *Viet Nam News*, 4 August 1996, pp. 1–3.

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39. HDS 2300 GMT, 7 June 1990, in FBIS-EAS-90-113, 12 June 1990, pp. 72–73. In 1996, the CPV established a working committee for monitoring and regulating the increasing number of non-governmental organizations (NGOs) including thirty foreign NGOs. For details, see VNA 0738 GMT, 27 May 1996, in FBIS-EAS-96-116, 30 May 1996, p. 70.
40. *Tap Chi Cong San*, 13 July 1996, pp. 28–37, in FBIS-EAS-96-153, 7 August 1996, pp. 59–71.
41. Vu Oanh, "Developing Combined Forces in Mass Motivation Work and Renovating the Work Content and Method of the Fatherland Front and Mass Organizations", *Nhan Dan*, 23 December 1993, p. 3, in FBIS-EAS-94-019, 28 January 1994, pp. 37–43. See also Do Muoi's address to the second national congress of the VPA: VVN 1430 GMT, 18 November 1993, in FBIS-EAS-93-224, 23 November 1993, pp. 51–54.
42. Gareth Porter, "The Politics of 'Renovation' in Vietnam", p. 82.
43. Carlyle A. Thayer, "Political Reform in Vietnam: Dôi Mói and the Emergence of Civil Society", in *The Developments of Civil Society in Communist Systems*, edited by Robert F. Miller (Sydney: Allen & Unwin, 1992), pp. 110–29, 111.
44. Albert O. Hirschman, *Exit, Voice, and Loyalty: Responses to Decline in Firms, Organizations, and States* (Cambridge: Harvard University Press, 1970).
45. Carlyle Thayer, "Political Reform in Vietnam", pp. 119–24.
46. VVN 0500 GMT, 3 January 1992, in FBIS-EAS-92-012, 17 January 1992, p. 71.
47. Carlyle Thayer, "Political Reform in Vietnam", pp. 119–24; HDS 1400 GMT, 17 September 1990, in FBIS-EAS-90-184, 21 September 1990, pp. 73–74; and Nick Malloni, "Speak No Evil!", *FEER*, 29 March 1990, p. 18.
48. VVN 1430 GMT, 19 November 1992, in FBIS-EAS-92-226, 23 November 1992, pp. 52–56.
49. HDS 1400 GMT, 26 September 1990, in FBIS-EAS-90-191, 2 October 1990, p. 72.
50. For details, see FBIS-EAS-95-003, 5 January 1995, pp. 59–60.
51. IC 24, no. 3 (1995): 6.
52. International Buddhist Information Bureau, "State-Sponsored Monks Protest Oppression", in <http://www.vinsight.org/1997news/0108.htm>, January 1997.
53. Interviews conducted by the author in Vietnam in 1996 (hereafter cited as Interview-Vietnam-96)-3.
54. Interview-Vietnam-96-1.
55. VNA 0532 GMT, 5 May 1996, in FBIS-EAS-96-088, 6 May 1996, pp. 77–78.
56. Interview-Vietnam-96-4. It seems necessary to point out that however hierarchical the VGCL may be, it still differs from communist neo-traditionalism which is maintained basically by the Party itself, that penetrates down to every shop floor and controls workers with the means of distribution of social welfare.
57. Interview-Vietnam-96-2.
58. Interview-Vietnam-96-1.
59. VNA 1437 GMT, 20 March 1992, in FBIS-EAS-92-057, 24 March 1992, p. 36.
60. Vu Oanh, "Let's Continue To Accelerate the Implementation of Resolution No. 8 To Renovate the Party's Mass Mobilization Work, Strengthen Party and People Relations, and Make a Good Preliminary Review of Its Implementation", *Quan Doi Nhan Dan*, 13 January 1992, pp. 1–2, reprinted in FBIS-EAS-92-053, 18 March 1992, pp. 51–58; *Nhan Dan*, 5 August 1995, p. 3, in FBIS-EAS-95-189, 29 September 1995, pp. 94–98; and *Lao Dong*, 12 May 1996, p. 1, in FBIS-EAS-96-099, 21 May 1996, pp. 99–100.
61. VNA 0820 GMT, 10 November 1993, in FBIS-EAS-93-216, 10 November 1993, p. 70; VVN 1430 GMT, 16 November 1993, in FBIS-EAS-93-220, 17 November 1993, p. 69; VVN 1100 GMT, 18 November 1993, in FBIS-EAS-93-222, 19 Novem-

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ber 1993, p. 29; VNA 1439 GMT, 22 November 1993, in FBIS-EAS-93-224, 23 November 1993, p. 55.

62. Interview-Vietnam-96-4.
63. HDS 2300 GMT, 2 June 1990, in FBIS-EAS-90-112, 11 June 1990, p. 56.
64. *Quan Doi Nhan Dan*, 30 June 1996, pp. 3–6, in FBIS-EAS-96-134, 11 July 1996, pp. 71–100, 92.
65. VVN 1430 GMT, 18 November 1993, in FBIS-EAS-93-224, 23 November 1993, pp. 51–54.
66. Gareth Porter, "The Politics of 'Renovation' in Vietnam", p. 83.
67. VNA 1452 GMT, 23 May 1996, in FBIS-EAS-96-102, 24 May 1996, pp. 85–86.
68. Decision No. 204/TTG, <http://www.batin.com.vn/vninfo/sub/detail.htm#t1>, February 1997.
69. VVN 2300 GMT, 14 August 1993, in FBIS-EAS-93-157, 17 August 1993, pp. 57–58.
70. VNA 0726 GMT, 9 February 1995, in FBIS-EAS-95-028, 10 February 1995, p. 70; and *Vietnam Investment Review*, 13–19 February 1995, pp. 1–2. Premier Kiet had another working session with the leaders of the VCCI in May. VNA 1411 GMT, 26 May 1995, in FBIS-EAS-95-102, 26 May 1995, p. 89.
71. Interview-Vietnam-96-8.
72. VNA 1508 GMT, 31 March 1996, in FBIS-EAS-96-063, 1 April 1996, pp. 80–81.
73. Robert A. Dahl, *Polyarchy: Participation and Opposition* (New Haven: Yale University Press, 1971). Brantly Womack makes the same point in "The Party and the People: Revolutionary and Postrevolutionary Politics in China and Vietnam", *World Politics* 39, no. 4 (July 1987): 479–507, 506.

Yeonsik Jeong is a Ph.D. candidate in the Department of Government and International Studies, University of South Carolina.

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End of the Beginning: Economic Reform in Cambodia, Laos, and Vietnam

RONALD BRUCE ST JOHN

In 1979, Cambodia, Laos, and Vietnam implemented selected economic reforms which began to reverse the socialist economic policies pursued after 1975. In the beginning, the scope and sequence of these reforms appeared similar, but over time, each government increasingly pursued its own package of reforms. This article compares the reforms implemented in agriculture, state-owned enterprises, and the macroeconomic arena to illustrate the different paths taken by the three states once known collectively as Indochina. In the process, it highlights areas of each economy which require additional reform to ensure social stability and sustainable economic development, and the impact that differing reform strategies may have on sub-regional development initiatives.

The governments of Cambodia, Laos, and Vietnam cautiously initiated a limited process of economic reform almost two decades ago. The reform process accelerated in the mid-1980s and again increased in scope and intensity at the end of the last decade. At the outset, all three economies faced similar challenges in many areas, such as underdeveloped market institutions, inefficient state enterprise management, and declining agricultural production. Consequently, the origin, speed and substance of the reforms implemented appeared similar to the casual observer. While the reform movements in Cambodia, Laos, and Vietnam were interrelated to some degree, they were undertaken in vastly different circumstances, and as they evolved, each assumed a singular character. An examination of selected aspects of these reforms

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highlights their divergent approaches to the politics of economic growth and their variable impact on national economies.

Agriculture

In late 1975, the Vietnamese leadership agreed to a gradual, step-by-step approach to the collectivization of the southern economy. In agriculture, this was understood to mean that peasants would first be asked to join labour-exchange teams and later to form low-level co-operatives which would be upgraded eventually. Less than two years later, the private ownership of land was abruptly terminated, and the option to join labour-exchange teams disappeared. Peasants in the south resisted the accelerated pace of collectivization, objecting in particular to a social welfare burden which required them to support many non-productive members such as party cadres and the poor. The government continued into the 1980s to push for enhanced collectivization, but its efforts were largely unsuccessful. Over time, agricultural production dropped, in large part because of the dampened individual initiatives which resulted.

The Sixth Plenum of the Communist Party Central Committee, which met in August 1979, retreated from the policy of rapid socialist transformation and implemented instead a limited policy of reform. In agriculture, the goal was to keep the co-operative agricultural system intact but to enhance the role of individual initiative and productivity in both the output and reward systems. Unfortunately, the modest rewards which resulted from the contract system introduced were insufficient to encourage households to invest their own resources to raise yields above fixed quotas. When agricultural production dropped in the ensuing years, the Sixth Party Congress in late 1986 strengthened both agricultural incentives and institutional support for agriculture.[1]

A major source of the economic resurgence of Vietnam in the second half of the 1980s was the strengthening of land-use rights. This policy reversed a process of nationalization and communalization of land which started in 1954, accelerated in the 1960s in the north and after reunification in the south, and culminated in the statement in the 1980 constitution that all land belonged to the state. The movement to strengthen property rights accelerated in 1988 with the enactment of a new land law which maintained state ownership of land but recognized private land-use rights.[2]

Agricultural reforms introduced in Vietnam in 1988–89 recognized co-operatives and production teams as voluntary, self-governing units. Within these units, the introduction of uniform pricing allowed the means of production to be used and managed by co-operative

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members and their families. Peasants also gained the right to sell produce freely and to engage in exchange with the state at their discretion. In consequence, the initiative in northern Vietnam as well as in the south clearly passed from collectives to households by mid-1989.

The Vietnamese National Assembly adopted a new constitution in April 1992 which stipulated that land remained the property of the state but could be allotted for long-term use and transferred by the user. By this time, six out of seven million hectares of cropland were farmed under direct household land-use rights, either leased from state farms or allocated by collectives or dissolved state farms. One year later, the 1993 land law provided that land-use right certificates, issued for agricultural land as well as urban residential property, could be transferred, rented, inherited, and mortgaged during the period for which the land was allocated. These changes further strengthened the incentives for agricultural production.[3]

The 1993 land law was a compromise which recognized partial ownership rights in the form of rights to use, to usufruct land as well as to transfer, lease, and inherit such rights. At the same time, the Vietnamese Government retained much of its socialist regime of real property rights, particularly the principle of indivisibility of state ownership of land. To sanction the beginnings of a land market, the government simply circumvented legal and ideological constraints to allow land-use rights for extended periods of time. The government issued a new regulation in early 1995 which called into question the powers granted to property users through land-use permits, including the right of transfer. The government has continued its efforts to reform the property market in Vietnam; nevertheless, many aspects of the rules governing land and property use in Vietnam, like the laws on leasing, tenancy, and mortgaging, require added clarity and strength.[4]

The rural reforms introduced in the Lao People's Democratic Republic (Lao PDR) in the second half of the 1970s focused on marketing and distribution systems, property rights, and the agricultural taxation system. Not all reforms were implemented at the same time, with changes in the marketing system and in agricultural taxation policies preceding reform of the property-rights system. In 1976, the government established a public trading network and made inter-provincial trade a state monopoly. In consequence, two price systems emerged in Laos with the administrative price system, consisting of prices fixed by the government, paralleling a free market system of prices determined by conditions of supply-and-demand.

Significant changes in the agricultural taxation system, intended to generate revenues to support the state apparatus and to supply the state distribution network with basic foodstuffs, accompanied reforms

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made to the marketing system. The communist government had little option but to turn to taxation to replace the budget subsidy provided by the United States before 1975. Nevertheless, the introduction of new agricultural taxes, without a concerted effort to explain their need, soured relations with the very Lao peasantry the government claimed to represent. The unpopularity of rice purchase and taxation policies also contributed to subsequent public discontent over collectivization.[5]

The socialist transformation of agriculture in Laos included the establishment of a few state farms, but the co-operative movement, which centred on rice production, accounted for approximately 85 per cent of total agricultural land. The initial emphasis on collectivization led to the formation of over 1,300 co-operatives by the end of 1978; however, their rapid growth resulted in declining agricultural outputs and increasing peasant resistance. Opposition to this policy took a variety of forms, including smuggling to Thailand, destruction of agricultural output, emigration, and cultivation in remote areas where administrative control was lacking.[6]

In response, the Lao Government in mid-1979 abruptly suspended the forced creation of agricultural co-operatives and called for the consolidation of existing ones. This announcement, when coupled with reforms in the agricultural taxation system, signalled a major shift in government policy towards agriculture. Socialism remained the ultimate goal of the Lao Government, but increased production and an improved standard of living were recognized as more immediate needs for the stability of the regime.[7]

Rural reforms introduced after 1979 concentrated on the three policy areas — the marketing and distribution systems, property-rights, and the taxation system — most affected by the socialization policies implemented in the second half of the 1970s. Reforms were implemented gradually over the next decade with modifications to agricultural taxation policies preceding changes in the marketing and property-rights systems. Reforms to the property-rights system focused on user rights as opposed to formal private ownership. Agricultural land in Laos continued to be state property, but peasants were granted long-term tenure with usufructuary rights which were transferable with few limitations. Therefore, the practical difference between land use rights, as they existed in Laos, and full property rights could be considered minimal.

The rural reforms enacted in Laos have had only a limited impact on agricultural performance. The agricultural sector continues to be an extensive, but low productivity, system characterized by low input and output. Irrigation is rare, double-cropping scarce, and land quality highly variable. The forestry and rice sub-sectors, in particular, have

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performed poorly in the last decade while selected non-rice subsectors, together with livestock, experienced stronger growth. The situation prevailing in the rural areas of Laos contrasts with that in urban areas where economic reforms have raised living standards.

External factors outside the control of the Lao Government, such as droughts and floods, impacted negatively on the performance of the agricultural sector; however, they were a secondary and temporary cause. Government policies, in areas like pricing, market development, and resource allocation, were the principal cause of low growth in recent years. The resulting poor performance was then compounded by the inadequate co-ordination and sequencing of reforms inside and outside the agricultural sector. To reach targeted growth rates in agriculture and related sectors, the Lao Government must expand its reforms to the legal system, rationalize tax administration, and improve supervision of banks, investment contracts, and trade activities.[8]

The early economic policies of the People's Republic of Kampuchea (1979–89) were strongly influenced by the Vietnamese advisers sent to Cambodia after 1979 to aid the local leadership in rebuilding the country. Responding to a pressing need to restore agricultural production, the new government formed co-operative units called production solidarity groups (*krom samakki bongko bongkaeun phol*). Intended to function as enlarged families to provide economic and moral support to all members, *krom samakki* responded to an equally important problem, the disappearance of cadastral plans and plot demarcations in the wake of the Khmer Rouge remodelling of the Cambodian countryside. Production solidarity groups also served as an instrument of government policy at the local level where the organizations facilitated political control and indoctrination as well as military conscription.[9]

Collectivized farming remained the ideal in Cambodia during the next decade, but statistics released throughout the 1980s revealed an opposite trend, with production increasingly dominated by individual producers. In practice, most production solidarity groups functioned more like village mutual help groups than collectives, with most of the land assigned to individual families. Even the highest level of *krom samakki* corresponded to a low level of socialist organization. In the second half of the 1980s, free markets were widely tolerated in Cambodia, both for farm produce and manufactured goods, and a brisk trade grew up along the Thai border.[10]

Land-ownership reforms introduced in Cambodia in early 1989 gave citizens the right to manage and use the land granted them by the state. Contrary to what was said by most analysts at the time, the new land reforms did not provide for the privatization of land ownership but only select usufruct rights. Nevertheless, the 1989 land reform did

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give peasants secure tenure rights to the land they cultivated, and security of land tenancy has often proved sufficient to induce peasants to invest more in agricultural inputs to boost agricultural production. A 1992 land law later recognized temporary possession rights to land, a condition in which ownership is not vested in one person, and titled ownership, a condition which places ownership in the name of the title holder. According to the 1993 constitution, land in Cambodia remains the property of the state; nonetheless, the majority of Cambodians do not distinguish between ownership and possession. Most Cambodian farmers think they own the land they farm although a majority do not yet have clear title to it.[11]

Today, the agricultural sector functions in Cambodia not unlike its role in neighbouring Laos. Agriculture contributes around 50 per cent of annual gross domestic product (GDP) and employs more than 80 per cent of the available work-force. Crop production, mainly rice cultivation, accounts for 30 per cent of GDP, livestock raising another 15 per cent, fishing 5 per cent, and forestry, an estimated 2 per cent, although the last figure is suspect due to illegal logging activities. Rice accounts for about one-third of the total value of agricultural production while rubber and timber are by far the most important commodity exports. Agricultural production in Cambodia has recovered considerably since the abandonment of collectivization at the end of the last decade. However, productivity levels remain relatively low, which suggests that opportunities for improvement, through increased technology, are considerable.

State-Owned Enterprises

In the Lao PDR, a gradual process of economic decentralization began after 1979, in which state-owned enterprises, previously little more than government departments, became semi-autonomous enterprises, with their own internal accounting systems. Resolution 11, introduced in mid-1981, instructed state-owned enterprises to meet a dozen compulsory plan targets, determined by the supervising authorities. Beyond these, the enterprises assumed a degree of operating autonomy and retained 10 per cent of their profits for reinvestment. In 1983, the government granted selected enterprises additional autonomy which allowed them to keep 40 per cent of their profits and a proportion of any overseas earnings, as well as to engage in limited direct sales on the open market. The Lao Government later expanded these measures with the result that by 1988 a majority of state-owned firms had become, in effect, autonomous state enterprises.[12]

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Concerned with the ongoing mediocre performance of state-owned enterprises, the Lao Government issued Decree 19 in March 1988 formally establishing the principle of state enterprise autonomy. This new approach limited access to bank credit, provided autonomy in setting prices, and initiated the privatization of state-owned enterprises through a variety of schemes. Mandatory production targets were abolished, allowing each enterprise to determine what commodities to produce and how to produce them as long as the enterprise met target tax payments. Unfortunately, the autonomy given to state businesses did not improve their performance, and results fell well short of official expectations. In some cases, formal autonomy actually resulted in greater managerial discretion and increases in current earnings at the expense of investment, and thus in a decapitalization of state enterprises.[13]

To address these problems, the Lao PDR launched in 1989 a privatization programme for state-owned enterprises. When the number of such enterprises decreased only slightly in 1990, the government issued Decree 17 in March 1991 to accelerate the disengagement from state enterprises with the exception of a few strategic businesses. In the wake of this new decree, privatization accelerated in Laos, with leasing arrangements being the most common practice. Some thirty-seven enterprises under central supervision were privatized in 1991–92, more than half of which were considered medium to large in terms of the number of employees. Privatization in agriculture was relatively rapid, with twenty-two state-owned enterprises under the Ministry of Agriculture and Forestry privatized in 1991–92 alone. In February 1995, the Lao Government appointed a new body to improve the structure and procedure of privatization. All but twenty major state enterprises, including those in charge of public utilities, are now scheduled for privatization.[14]

In Vietnam, the move towards greater autonomy for state-owned enterprises progressed at a much slower pace than in either Laos or Cambodia. After 1979, state enterprises were encouraged to move towards a self-accounting and self-financing basis although they remained an integral part of the central planning process. The package of reform measures adopted by the Sixth Party Congress in December 1986 established the independent status of public enterprises with the objective that they operate according to so-called socialist accounting principles, a concept which called for their economic and financial independence. Two years later, the government restructured the remuneration package of public sector employees, removing most subsidies in kind. Enterprise autonomy, with a few notable exceptions such as

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petroleum and electricity, was generally strengthened by reducing the number of compulsory plan targets.[15]

In 1990, some 12,000 registered state companies operated in Vietnam, ranging from large industrial concerns to small retail stores. With total assets estimated at US$12 billion and total employment estimated at 2.3 million workers, state-owned enterprises were relatively small compared to the former Soviet Union and its East European satellites; however, they played a significant role in the national economy of Vietnam. The existence of a large number of provincial, district, and local state-owned enterprises, a characteristic with important implications for any privatization programme, distinguished Vietnam from Cambodia and Laos as well as other socialist countries like China. Size was another notable feature of state-owned enterprises in Vietnam; an overwhelming majority of them were very small when measured in terms of assets. The majority of small and medium enterprises belonged to provincial and local authorities and the Party apparatus (collectively around 10,389). These smaller enterprises were the least efficient, with an estimated 40 per cent losing money and another 30 per cent barely breaking even.[16]

The Vietnamese Government, in the first half of the 1990s, pursued a number of initiatives to reform state-owned enterprises, with substantial enterprise autonomy being a cornerstone of reform. Enterprises were given authority to set their own prices, select appropriate mixes of inputs and outputs, and lay off excess workers when downsizing was required. In addition, the authorities pursued a two-pronged strategy designed to increase efficiency, profitability, and market-oriented behaviour. The first element consisted of increasing competition through a variety of policies like allowing private sector enterprises improved access to credit and subjecting all enterprises to uniform rules of taxation. The second element, intended to induce profit-maximizing behaviour in the more autonomous state enterprises, consisted of a number of related measures to harden budget constraints. By the end of 1993, the number of state-owned enterprises had been reduced, through liquidation or merger, to around 7,000 and, today, the total is closer to 6,000.

On the surface, it might appear that Vietnam could prove an exception to the rule that an unwieldy, loss-making, state-owned sector will generally impair the performance of transition economies. In recent years, the state sector in Vietnam has surpassed the non-state sector in many areas, and its share of the recorded economy has increased markedly. To a meaningful extent, many state-owned enterprises, albeit not all, have been transformed into commercially

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operated companies with increasing foreign participation. The broadly favourable performance of the state-owned sector has been attributed to the pursuit of sound policies; however, increased oil production during the transition period and the growing output of joint ventures with foreign enterprises also made favourable contributions. In addition, state-owned enterprises have enjoyed significant advantages over private firms. Much of the foreign investment in Vietnam has come through joint venture agreements with state-owned enterprises, which have given them privileged access to foreign technology and expertise not readily available to the private sector. Vague land-use regulations and the shifting regulatory milieu have made it advantageous to develop links to a state firm with good government relations. State-owned enterprises have also enjoyed favourable access to credit, especially from state banks, and a larger share of foreign trade certificates.[17]

The *Draft Political Report of the Central Committee to the VIIIth National Congress*, clearly recognized the need for further reform to the state-owned sector. Without such reform, it is unlikely that the satisfactory performance of state-owned enterprises will be sustainable as the national economy becomes more open and integrated into the world economy. In addition, the concentration of state-owned enterprises in productive, non-strategic sectors discourages competitive behaviour and thus represents an obstacle to the expansion of private businesses. The private sector is in danger of being smothered if state-owned enterprises continue to receive favoured access to land, credit, and trading opportunities. Finally, the failure to reduce the number of state-owned enterprises, and to transfer those of a non-strategic nature to the private sector, prevents a substantial share of scarce public resources from being liberated, through increased private sector participation, for investment elsewhere.[18]

The People's Republic of Kampuchea (1979–89) managed its limited number of state enterprises in a highly centralized manner and instituted a state monopoly of foreign trade along traditional socialist lines. Exports were limited and mostly went to the Soviet Union, Eastern Europe, and Vietnam. In contrast, the State of Cambodia in late 1989 launched a system of financial autonomy for state enterprises which envisaged them operating within a system of indicative planning but without state interference. State enterprises were to become financially self-sufficient to retain all of their after-tax profits, and to pay only half their amortization to the state. Ideally, state enterprises would then come to behave as if they were commercial ventures in a market economy. In reality, meaningful autonomy for state enterprises proved difficult to accomplish. Faced with worsening budgetary problems, mounting inflation, and elections in 1993, the government

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delayed tackling the short-term social, financial, and political problems entailed in a full transition to a system of financial autonomy. At the same time, authorities continued to extract liquidity from state enterprises to finance budgetary expenditures.[19]

Unlike Laos and especially Vietnam, privatization in Cambodia was seen by many as an attractive alternative to the protracted restructuring of state enterprises. In fact, one of the principal arguments advanced in support of privatization was that it was more efficient to restructure companies after they had been privatized. By mid-1992, almost 40 per cent of the 224 enterprises owned by major national authorities in early 1990 had been privatized and others awaited government approval. The pace of privatization was most rapid among state enterprises with urban real estate, industrial companies, and small, locally supervised enterprises.

In the absence of laws regulating privatization, the Foreign Investment Law of July 1989, as revised in 1994, became the principal legal basis in Cambodia. The central institution for implementing privatization, even where the private investors were local Cambodians, was the National Committee on Foreign Investment and its successor organization, the Council for the Development of Cambodia. Regrettably, the Cambodian Government, especially in the early years of privatization, had focused more on speedy execution than on the transparency and equity of deals. In contrast to Vietnam, leasing in Cambodia quickly became the preferred form of privatization, accounting for more than half the deals concluded by national ministries and municipal or provincial authorities. One reason for the initial preference for leases was to enable local Cambodians with little capital to take over enterprises, although in the end most investors were foreign. Other factors included the restrictions in place governing foreign ownership of land. Investors also regarded leases as less risky in the uncertain economic and political milieu which continued to characterize Cambodia.

Macroeconomic Environment

In the last twenty years, two macroeconomic policy regimes succeeded one another in the Lao PDR. In the decade after the December 1975 revolution, the government pursued import substitution, accommodating fiscal and monetary policies, and a fixed exchange rate system. One result of these policies was high and persistent inflation with 56 per cent being the average over the 1980–86 period. High rates of inflation, when combined with a fixed exchange rate system, contributed to the overvaluation of the exchange rate. A very restrictive trade policy was also a central element of macroeconomic policy in this first policy

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regime. High tariffs and quantitative restrictions on most imported products aimed at protecting domestic industries and supporting the state apparatus. Taken as a whole, the hostile macroeconomic environment which prevailed after 1975 restrained growth in the agricultural sector in particular, and thus diluted the impact of rural reforms.[20]

As part of the New Economic Mechanism, the Lao Government in 1986 implemented a radical economic reform programme which included macroeconomic stabilization and trade liberalization measures. A distinctive feature of the Lao approach was the speed and intensity with which the government introduced the new economic reforms. The ability of the government to execute a radical reorientation of its economy was due in no small part to the underdeveloped nature of the Lao economy. Given resistance to socialist reforms in the first decade of the revolution, the challenge to the government was not so much dismantling an entrenched socialist system as it was reorienting a largely subsistence system to market demands.

While most of the reforms of the New Economic Mechanism were actually introduced in 1987–90, the process of macroeconomic reform continued into the current decade. The government implemented tax reform measures to shift its revenue base from dependence on state enterprises to a mix of income, excise, property, and trade taxes. At the same time, it restructured the banking system to include both a central bank and a commercial bank, and it opened the banking sector to both private and foreign banks. Following adoption of the first foreign investment law in 1988 and its more liberal successor in 1994, the Lao PDR has been relatively successful in attracting foreign investors. Over US$500 million in investment licences have been issued since 1988 in a broad range of manufacturing and service industries. On the other hand, the trade regime lacks transparency and includes significant government intervention. The sudden devaluation of the kip in 1995 also underscored the need for the government to address its chronic balance of payments problem. The ensuing crisis highlighted the need for more reliable revenue sources apart from external aid. That said, the macroeconomic and related reforms put in place by the Lao PDR Government after 1986 have been a clear-cut success in terms of transforming a centrally planned economy to a market-oriented one.[21]

Cambodia initiated a process of market-oriented liberalization in 1985 which sanctioned some private sector activities, permitted joint ventures, and lifted most price controls. The reform process broadened and accelerated after 1989, with a key measure being the restoration of a semblance of private property ownership. As the government abandoned the collectivization of agriculture and promoted state enterprise autonomy and privatization, it also liberalized foreign trade. With more

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open trade policies, and the low customs duties and weak enforcement which prevailed, Cambodia at the beginning of this decade was on the way to becoming a hub of sorts for sub-regional transit trade.

The initial impact of market-oriented reforms was generally positive; however, they had not yielded full benefit when the Royal Government of Cambodia took office in May 1993. A number of factors, including military strife, political and financial instability, and numerous bottlenecks, contributed to unsatisfactory performance levels. A clear government policy was missing as well as a fully functioning and effective legal framework attuned to the needs of the private enterprise system. High rates of inflation led to a concentration of transactions with short-term, as opposed to long-term, yields. The imposition of interest rate controls, when coupled with rapid inflation, produced negative interest rates for riel-dominated deposits. Price controls, implemented to contain high inflation rates, encouraged black market profiteering and rent-seeking while discouraging more productive activities. Finally, trade liberalization policies, which resulted in expanded transactions with the convertible zone, also produced growing trade deficits and a mounting current account imbalance.

The macroeconomic performance of the Cambodian Government has improved in recent years but remains spotty and generally unsatisfactory. GDP growth has averaged around 6 per cent annually since 1991, although economic expansion remains unbalanced, and its benefits are not spread evenly throughout Cambodian society. Economic expansion in 1991 started from a very weak base and was fuelled initially by a run down of the country's already severely weakened infrastructure. In recent years, growth has been driven by an increase in consumption fuelled first by the United Nations Transitional Authority in Cambodia (UNTAC) and later by the activities of bilateral and multilateral donor agencies. Annual rates of inflation have dropped but still remain far too high to be sustainable, as does the current account balance. Adoption of the 1993 Budget Law was a positive development which promised a single, unified national budget with consolidated expenditures and revenues. Unfortunately, the Royal Government has yet to fulfil this promise with its current logging policy being the most notable failure. The malfeasance and corruption which continues to cloud the logging sector is symbolic of a problem throughout the government. A recurrent theme at recent meetings of the International Committee for the Reconstruction and Rehabilitation of Cambodia has been the lack of progress on the issues of human rights and democratization and the potential impact of this lack of progress on future aid programmes. Of course, Hun Sen's July 1997 *coup d'etat* only served to accentuate such concerns.[22]

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The government must also work to transform the Cambodian banking system into a modern two-tier system with an autonomous central bank, and it must continue to follow a market-oriented exchange rate policy with a view to unifying the official and parallel exchange rates. Declining tax revenues are especially worrisome for donor countries which want to see Cambodia move towards paying for its own expenditures. The widely-heralded 1994 Foreign Investment Law, more liberal than contemporary statutes in place in Laos and Vietnam, included a one-stop investment process through the Council for the Development of Cambodia, an organization which critics now refer to as the "full-stop investment shop". Excessive government spending, the loss of logging revenues, ineffective tax collection measures, limited domestic and foreign investment, and graft have combined to create a budgetary shortfall which has increased the country's dependence on foreign loans. In the longer term, they threaten to leave Cambodia with chronic debt problems.[23]

The poor macroeconomic performance of the Vietnamese economy in the first half of the 1980s — reflected in stagnant real GDP growth, high inflation, and a weak balance of payments — was a major factor in the decision of the Sixth Party Congress to implement a package of economic reforms in 1986. As the reorientation of the economy towards a market-based system gathered momentum, broad systemic and structural changes were underpinned by a sharp tightening of fiscal and monetary policies aimed at controlling inflation and strengthening the balance of payments, and thus laying a foundation for sustained growth. The dismantling of the collective farming system, with the concomitant return to family farming production units, was the key structural measure. The Vietnamese Government gradually began to promote private sector production activities and to open opportunities for foreign investment.[24]

In the early 1990s, the macroeconomic reforms initiated at the end of 1986, and expanded after 1989, had an increasingly positive impact on the Vietnamese economy. The response of the economy was especially impressive, given the collapse of Soviet aid and the loss of Vietnam's CMEA (Council for Mutual Economic Assistance) trading partners in this period. Real GDP growth averaged over 8 per cent a year after 1991, which was a marked improvement from an average rate of around 5 per cent in the previous five-year period. The Vietnamese Communist Party, at its Eighth National Congress in 1996, set an annual GDP target of 9–10 per cent growth for the next five years. In sharp contrast to most centrally planned economies in transition, Vietnam also succeeded in bringing inflation under control. The twelve-month rate of inflation, which approached 700 per cent in 1986,

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decelerated to 12.7 per cent in 1995, with the General Department of Statistics reporting a rate of 4.5 per cent for 1996, the lowest since the initiation of economic reforms. Vietnam's economic recovery stemmed initially from a strong performance in the agricultural sector; however, following difficult adjustments, industrial output also strengthened, especially petroleum and light manufacturing.[25]

The Vietnamese economy in the second half of the 1990s emerged from a transition period without pervasive subsidies or controls on prices and output, but with a reasonably balanced fiscal situation and moderate inflation. Overall, the economy's response to the structural and stabilization measures implemented by the government was impressive; nevertheless, a variety of concerns highlighted the need for ongoing macroeconomic reform. With the external debt growing at an alarming rate, there is clearly a need for the government to introduce a system to manage foreign borrowings if it is to avoid the debt problems faced by other transitional economies. Distorted investment incentives underlie the widening trade and current account imbalances, which are clearly unsustainable. The General Statistical Office put the 1996 trade deficit at US$3.9 billion, which was an increase of 70 per cent from 1995, and smuggled goods accounted for an additional US$1.0 billion or more in imports. The government must also strike a balance between the desire for economic growth and the need for macroeconomic stability. Without effective stabilization policies, financial sector reform cannot be successful and may even aggravate macroeconomic imbalances. Owing to the close relationship between macroeconomic stability and financial reform, the government must also ensure that its principal stabilization measures are mutually consistent and set the stage for a smooth, progressive deregulation of the financial sector.[26]

Conclusions

The above analysis has dealt with only selected aspects of the economic reforms under way in Cambodia, Laos, and Vietnam; however, its limited scope does allow some tentative conclusions to be drawn. The governments of all three states initiated countrywide "socialist" revolutions in 1975. The Lao path to socialism initially paralleled that of Vietnam to a remarkable degree, while the revolution in Cambodia proved far more radical than either of its neighbours. All three countries later initiated market reforms in 1979, which broadened in scope in the second half of the 1980s, and have continued to the present time. The Lao revolution, while continuing to bear similarities to its Vietnamese counterpart, took an increasingly Lao character in the 1980s, even as the Cambodian revolution moved in the opposite direction.

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Vietnamese communism, which never influenced the Cambodian revolution to the extent it impacted on Laos in the three decades after World War II, guided but did not dominate Cambodia in the decade of Vietnamese occupation after 1979. More recently, the three revolutions have largely acted independently of each other, although a high level of fraternal fellowship has continued to characterize the Lao-Vietnamese relationship.

The governments of Laos and Vietnam, when compared to that of Cambodia, took a more gradualist path of transformation to a market-oriented economy. Both governments emphasized foreign investment at an early stage but postponed difficult institutional changes like the creation of clearly defined property rights and, in the case of Vietnam, the equitization of state-owned enterprises. The Lao and Vietnamese appear to have sequenced and timed reforms in this manner to fulfil political objectives related to the maintenance of control over the reform process and the retention of the Communist Party's monopoly of power. While the leaderships of both countries have been relatively successful to date in executing reform programmes, there is a legitimate question, outside the scope of this article, as to the viability of this model for the next stage of reform.

Cambodia, Laos, and Vietnam are situated in the fastest growing sub-region of the world, with Cambodia and Laos sandwiched between three of the world's most dynamic economies (China, Thailand, and Vietnam). For years, the Asian Development Bank and others have been strong proponents of sub-regional co-operation, with tighter integration envisaged in a wide variety of sectors from transportation to infrastructure, to trade and investment. Sub-regional development in the areas of transportation and infrastructure will have to include Cambodia and Laos if long detours are to be avoided. Specialists in development, politicians, and some academics find the spatial content of sub-regional development beguiling, but the reality is that business opportunities are relatively limited in Cambodia and Laos. Mostly inhabited by poor farmers with limited spending power, low levels of education, and few marketable skills, niches for profitable investment remain few and far between and largely geared to the exploitation of natural resources. Consequently, both Cambodia and Laos remain at risk of becoming little more than a place to build a bridge, road, or railway, a transhipment point between the more economically vibrant areas of northeastern Thailand, southwestern China, and Vietnam. For this reason, the governments of Cambodia and Laos have reason to be optimistic — and wary — of the economic benefits each can reap from inclusion in sub-regional development programmes. In turn, the private sector, which is generally expected to drive economic develop-

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ment in the Mekong Basin, is right to be concerned about the differing laws, policies, procedures, rules, and regulations in place or emerging in Cambodia, Laos, and Vietnam.

The governments of the states which once constituted Indochina have succeeded in implementing major economic reforms in the sense that they have introduced significant modifications to the structure of economic relations in their countries and the role of the state in their economies. The extent to which these governments have improved the livelihoods of their citizens is another question. It appears evident that the overall social and economic results of economic liberalization, with some relatively minor provisos, have been positive. At the same time, while recognizing that some disparities existed before liberalization, social and economic inequalities are significantly greater now. The ability of the governments of Cambodia, Laos, and Vietnam to continue the economic reforms and to build upon them remains uncertain. All three states have reached the end of the beginning, but each must consolidate and build upon the economic reforms it has implemented if it is to ensure long-term social stability and sustainable economic growth and development.

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Ronald Bruce St John is an independent scholar specializing in the political economy of developing states.

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Golkar of Indonesia: Recent Developments

LEO SURYADINATA

Golkar has been described as an electoral machine to legitimize the Indonesian military's involvement in politics. However, it also represents the abangan *(or liberal Muslim) culture. In the last six general elections, the function of the electoral machine was clear but the* abangan *elements underwent some changes. There was indication that some* santri *(or strict Muslim) elements had also crept into Golkar. The split within Golkar along both military–civilian and religious lines has become more obvious. Nevertheless, President Soeharto's control of Golkar has increased significantly. However, the future of Golkar in the post-Soeharto era is uncertain.*

Golkar has been the Indonesian ruling party since the 1971 general election, and it remains strong until today. This article attempts to examine recent developments within Golkar, with special reference to the changes which began in 1989. It will analyse the nature and functions of Golkar, especially with reference to Golkar's relations with Islamic forces, and the role of President Soeharto in these changes. Golkar's problems will also be examined.

Golkar's Origins[1]

The 1965 abortive coup was a watershed in Indonesia's political history. The year marked the liquidation of the Indonesian Communist

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Party (PKI), the downfall of President Soekarno and the rise of the military. The military, particularly the army, became the most significant political force. The army, represented by Soeharto, decided to continue to use a parliamentary format to rule Indonesia. A military junta-style of governance had been ruled out. In other words, general elections would be held regularly as a means of legitimizing the new government. Nevertheless, the new military authorities were concerned with exercising some form of control that stopped short of projecting an image of a military junta. Therefore, a series of laws were issued to give the military, and social forces which supported the military, an upper hand.

New election laws were drafted and adopted. The laws stipulated that the law-making body, the Dewan Perwakilan Rakyat (DPR) or Indonesian parliament, would consist of 460 members, of which 100 would be appointed from the military (under the prevailing law, active military men were not allowed to participate in elections). Only 360 members would be elected from the existing parties. Apart from the DPR, another institution — the Majelis Permusyawaratan Rakyat (MPR) or People's Consultative Assembly — determined the general policy of the state and the election of the president. It comprised 920 members.[2] Among the Members of Parliament 460 would automatically become members of the MPR. The remaining 460 seats were to be appointed by the government. It was very clear that the pro-government figures were likely to influence, if not control, the political process in these institutions, especially in the MPR.

In order to conduct elections, political parties were needed. The existing political parties were the products of the old forces. There was no major party which represented the military's interest. Therefore, the new authorities began to look for such an organization. An obscure military-controlled organization called the Common Secretariat of the Functional Groups (Sekber Golkar) was eventually transformed into a political party known as Golkar. This party, often referred to as the political arm of the army, was not ready as a viable political force because of internal squabbling between factions supporting Soekarno and Soeharto. The pro-Soekarno elements were eventually purged, leaving those supporting Soeharto to control the organization. Indonesia's first general election was held in 1971 after the 1965 coup, about five years after Soeharto came to power.

It is important to note that by this time the military had already consolidated its position. There was a "green revolution" (the colour of the army uniform is green) in the sense that the military had succeeded in occupying all key positions in both the military and non-military

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sectors. The military's control was felt not only at the national but also at the sub-national levels. It was not surprising then that the military became instrumental in the election process.

Golkar, as a party controlled by the military, also has a structure which resembles a command system. In theory, the national congress is the highest decision-making body and the leadership council is the executive body. But in reality, it is the advisory board (or supervisory board) which makes the decisions. The advisory board consists of a group of military and government officers and is headed by Soeharto himself. It is also important to note that even key positions in the central executive board are made up of military officers.

At the sub-national levels, the structure of Golkar has been identical with the national one. Every Golkar executive board has had an advisory committee staffed by regional military officers. Many have maintained that these were the people who made the decisions for Golkar.

The military ascendancy in Golkar has lasted for decades. In the late 1980s, there was a change in Golkar which highlighted a struggle between its military and non-military components. This also coincided with the growth of the Muslim components within Golkar.

It should be noted that in Indonesia there are two political cultures which are reflected in the political party system, including Golkar. These two political cultures are the *abangan* and *santri*. The *abangan* are liberal Muslim, while the *santri* are strict Muslim. The majority of the military officers come from the ranks of the *abangan* Muslims, while some are not even Muslims. Because of this, the initial character of Golkar was that of an *abangan*-dominated political organization. It was even perceived as an anti-Islamic organization by Muslim fundamentalists.

Political Parties and General Elections[3]

When Soeharto came to power, Indonesia had at least ten political parties which had been seriously weakened by Soekarno. These political parties were a reflection of Indonesian political cultures. They can be grouped into the Islamic parties, namely, the Nahdlatul Ulama (NU), the Partai Muslimin Indonesia (a new party which was supposed to be the substitute of the banned Masyumi), Perti, and PSII, and the non-Islamic parties, namely, the Partai Nasional Indonesia (PNI, or Nationalist Party), Partai Katholik (Catholic Party), Parkindo (the Christian Party), IPKI, and Partai Murba. Of these nine existing parties, only the NU and the PNI could be considered major parties. For instance, in the 1955 general election, the NU won 20 per cent of the votes while

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the PNI won 22 per cent. There were two other major parties which were banned during the Soekarno era and the beginning of the New Order era: Masyumi which won 20 per cent of the votes in the 1955 election and the PKI which won 16 per cent of the votes during the same election. Both parties were banned because of their respective involvement in a regional rebellion (Masyumi) and the 1965 coup (PKI).

When Soekarno introduced guided democracy, no general elections were held. This led many people to argue that the political parties which survived the 1965 upheaval were not really tested. Therefore, during the 1971 election, most of these parties were not confident that they would be able to emerge as winners. Some hoped that they would be able to get a significant percentage of the votes. However, an examination of the various rules and regulations which favoured Golkar but restricted the activities of other political parties suggests that the role of the other parties would never be the same.

When the 1971 general election results were announced, Golkar emerged with the largest percentage of votes, 62.80 per cent. The combined votes of the Islamic parties totalled 27.11 per cent, posing a challenge to Golkar, with the NU itself garnering 18.67 per cent of the total votes. The combined votes of the non-Islamic parties were 10.09 per cent, with the PNI obtaining only 6.96 per cent of the total votes. The non-Islamic political parties (excluding Golkar) were thus no longer able to play any significant role in Indonesian politics.

In order to control the parties and also weaken them, the Soeharto government introduced a policy which required the various parties to merge together. At first, there was some resistance from the political parties, but eventually in 1973 Soeharto succeeded in grouping the nine political parties into two new ones: the Partai Persatuan Pembangunan (PPP, or the Development Unity Party), comprising the four Islamic parties (NU, Perti, PSII and Parmusi); and the Partai Demokrasi Indonesia (PDI, or the Indonesian Democratic Party), consisting of five non-Islamic parties (PNI, Partai Katholik, Parkindo, IPKI and Murba).

Thus, the PPP, the PDI and Golkar formed the three contestants in the Indonesian elections. In 1975, the Political Parties and Golkar Law restricted the elections to these three parties, which were also banned from forming branches in the rural areas. The restriction, in fact, favoured the government party, Golkar, as it could reach the population through government officials and military officers.

One can see Golkar's consistent performance in the 1977, 1982 and 1987 general elections. It won 62.11 per cent, 64.34 per cent, and 73.16 per cent of the votes respectively, while the two other parties performed

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poorly. The PPP managed to win 29.29 per cent of the votes in the 1977 election but this declined in the 1982 election (to 20.87 per cent) and in the 1987 election (to 13.70 per cent). Its poor performance in 1987 was partly due to the withdrawal of NU from the PPP before the elections and the promulgation of a new law which restricted political parties to using Pancasila as the ideology of the party. The PPP was badly affected because without its traditional Islamic symbol of the Kaabah, it was no longer perceived by many of its supporters as an Islamic party. Nevertheless, its ranks continued to come from the *santri* population.

If the PPP became less "Islamic" because of the government law, Golkar gradually became more "Islamic". Some moderate Muslims began to join Golkar. As time passed, it became clear that Golkar had changed its non-Islamic image. The point of change took place in 1988 when Golkar held its national congress. It may be explained in terms of Soeharto's desire to gain more support from moderate Muslim groups, and to co-opt Muslims.

Measures Aimed at Wooing Muslims

Since 1988, a number of developments have shown that Soeharto went out of his way to woo Muslims. First was the passing of the Islamic Court Law in December 1989, which acknowledged the jurisdiction of the Islamic Court over a number of areas, although the coverage of Islamic jurisdiction was still limited. This, nevertheless, was considered a victory for the Muslims.

Second was the promulgation of the National Education Law in 1989 which required the study of religions to be included in the government school curriculum.[4] Since the majority of the Indonesian population are Muslim, this national education law favours the Muslims. In addition, after ten years of debate between religious leaders and the government, in 1991 the Minister of Education eventually allowed female students in government schools to wear the *jilbab*.[5] This was despite opposition to the move by some groups.[6]

Third was the closing down of a tabloid newspaper, the *Monitor*, and the jail sentence imposed on its editor, Arswendo, which showed the Muslims' growing influence. In his newspaper, Arswendo had put pictures of Prophet Muhammad and other ordinary human beings together and this caused anger among the Muslims. Arswendo was taken to court and jailed for five years.[7]

Fourth was the holding of a Muslim intellectuals conference in Malang in early December 1990, which eventually led to the formation of the Indonesian Muslim Intellectuals Association (ICMI). The

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conference, which was initiated by some Muslim intellectuals, received the full support of the Soeharto government. It was opened by President Soeharto and closed by Vice-President Sudharmono.[8] ICMI was to be headed by the Minister of Research Dr B.J. Habibie, a staunch supporter of Soeharto. Although there was conflict within ICMI, it was reported that they managed to maintain unity.[9]

Fifth was the decision of the Indonesian first family to perform pilgrimages to Mecca in June 1991, which gave a boost to Muslims.[10] This was the highest level of identification with Islam by President Soeharto and his family. In fact, in the late 1980s, the President had already used the greeting "*assalamulaikum*" at the start of every speech he made. His eldest daughter, Mrs Rukmana (better known as Tutut), also wears Islamic attire (including the Muslim headgear), while his late wife had also participated in a major Muslim gathering where she led the prayers.[11]

Sixth, and most symbolic, was the establishment of the Islamic Bank in May 1992 in Indonesia.[12] At the ceremony to mark its establishment, President Soeharto, Vice-President Sudharmono, ICMI chairman Dr Habibie and the chairman of the Indonesian Muslim Council were present. The setting up of the Islamic Bank was unexpected by many people. This indicated that the government was indeed attempting to gain the support of Islamic forces.

Golkar and the Islamic Court Law

The wooing of Muslims did not gain unanimous support from a plural society like Indonesia. Within Golkar itself, there was a split over the Islamic issue. Let us take, as an example, the Islamic Court Law which was passed in December 1989.[13] The law, which was sponsored by the Minister of Religious Affairs, provided the Islamic Court with authority over marriage and its consequences, including will, inheritance and religious contributions. Property donated to Islamic institutions and donations for poor Muslims were also within the jurisdiction of the court.[14] The promulgation of this law has been interpreted by non-Muslims as a way for Muslims to force their followers to observe Islamic laws.[15]

This proposed law generated heated debate within Golkar. There were at least two groups which had opposing views. One group agreed with the proposed law, while the other, which was represented by the political and security section of Golkar, was against it. The latter came out with a seventeen-page document stating that the proposed law violated the principle of Pancasila because it allowed the existence of dualism in the Indonesian legal system.[16] Amir Machmud, the former

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Home Affairs Minister, protested and condemned the proposed law. A.E. Manihuruk, a member of the Central Board of Golkar, who was given the task of forming a committee to discuss the proposed law, failed to do so because of lack of support. Eventually, General (Retired) Wahono, the General Chairman of Golkar, was forced to do it himself and took over the committee chairmanship from Manihuruk. Finally, the proposed law was accepted, but there was neither open debate nor applause in Parliament.[17] It was obvious that many Golkar members were unhappy. The PDI also had reservations about the law. The PPP, however, gave its full support.

The passing of the law resulted in many interpretations. Some maintained that this was a compromise made by the government to the Muslim group. Some even argued that this was a method used by the government to make the Muslims fulfil their *syariat* law. However, there was also an interpretation that by this law the government wanted to restrict the jurisdiction of Islam to non-political affairs.

It is true that the government's attitude towards political Islam and the Acehnese separatist movement has been harsh. For example, those who were involved in the bombing of the Borobudur Temple were tried at the end of 1990 and the beginning of 1991 and received heavy sentences.[18] The Acehnese rebellion was effectively crushed.

Golkar and the Nomination of the President

The move to woo the Muslim groups was linked to President Soeharto's intention to gain their support for Golkar in the general election and for himself in the presidential election.

However, within and outside Golkar, there were people who were reluctant to support President Soeharto, especially among the retired generals. Within Golkar itself, there were different opinions on the issue. At the 26th anniversary of Golkar in October 1990, when General (Retired) Wahono, the General Chairman of Golkar, was asked about the candidate for the presidency, he was quoted as saying that "it is still a long time and many things can still happen".[19] He also said Golkar was still looking for its presidential candidate.[20] It seemed that there was no unity within Golkar. Reflecting the disagreements in Golkar, Jacob Tobing, one of the chairmen in the Central Board of Golkar, told the press that Golkar was not aiming at "unanimity" in presenting Soeharto as a candidate. Such lack of unanimity in the choice of a presidential candidate had never happened in the history of Golkar.

However, there was a group of leaders within and outside Golkar who wanted to nominate Soeharto to be president again. In May 1992 (before the 1992 general election), former Minister of Religious Affairs

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General (Retired) Alamsjah Ratu Perwiranegara and one of the Central Board chairmen of Golkar, Ismail Hassan,[21] supported by thirty-seven Islamic mass organizations, held a prayer session in the Granada Mansion in Jakarta to pray for the health of the President so that he could continue to serve beyond the current term.[22] The prayer session, which was attended by 3,000 representatives, was led by K.H. Ali Yafie, a deputy chairman of NU. This prayer session was later known as "Political Prayer" (*Doa Politik*). Wahono, the General Chairman of Golkar, was not in favour of Political Prayer, noting that Golkar did not want to create false unanimity.[23] Wahono also said that he already had a candidate but it was not yet time to release his name.[24] The youth wing of Golkar (KNPI) and Kosgoro, a component of Golkar, refused to attend. The chairman of ICMI, Habibie, was conspicuously absent.

The chief of the social and political sections of the Indonesian armed forces, Lieutenant-General H. Hartas also stated that unanimity was no longer needed.[25] When asked whether the armed forces would support Soeharto as its candidate again, he said that he would discuss the matter with Soeharto three months before the presidential election. If Soeharto declined to serve, he had a candidate in hand.[26] Retired General Hasnan Habib was more open. He said that Indonesia needed another type of person to be the president to meet the challenges of the 21st century.[27]

The split in Golkar can be seen not only in the choice of a presidential candidate; it is also apparent in some government policies. For example, in 1989 when the government announced an increase in oil prices, Ben Mesakh, the faction leader in charge of electricity, questioned the government's wisdom in the price hike, thereby embarrassing the government.[28]

Despite this split, it appeared that Golkar was quite united in facing the 1992 general election. As early as October 1990, Soeharto said at the Golkar Congress that the 1992 election was important and that Golkar should win the largest number of votes.[29] Wahono was also quoted as saying that "Golkar will not keep a distance from the bureaucracy and the armed forces, because Golkar wants to maintain the old relationship".[30] In other words, the armed forces and bureaucracy would still be the backbone of Golkar.

Nevertheless, in the last few years, the attitude of the military officers towards Golkar has not been united. Some retired army generals have showed their support for the PDI. About forty retired army officers joined the PDI in the early 1990s.[31] It was also reported that all the PDI's commissioners positions in the rural areas had been filled. The leader of the PDI said it meant that people were no longer afraid and that the PDI would do better in the 1992 election.[32]

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Golkar, Islam and the 1992 General Election

To face the new situation, President Soeharto modified his strategy. In the past, Golkar candidates had been proposed by the armed forces chief, the Minister of Home Affairs, and General Chairman of Golkar. However, for the 1992 election, Soeharto, as the chief supervisor of Golkar, dropped those candidates whom he thought were unsuitable.[33] According to one report, at the end of 1991, those civilian candidates who were known to have been close to the military were removed (including Marzuki and Jusuf Wanandi).[34] Outspoken armed forces figures such as Major General Saiful Sulun and Police Brigadier General Roekmini Koesoema were also dropped.[35]

The proportion of Muslims among the candidates was also an issue. The President reduced the number of non-Muslim candidates in order to reflect the majority of the Muslim population. For instance, the number of candidates for Sumatra had been seven Muslims and nine non-Muslims. Soeharto changed it to ten Muslims and six non-Muslims.[36]

It is interesting to note that among the Muslim population, many began to adopt a new strategy. They no longer extended their support to the candidates of the Muslim Party, that is, the PPP. Instead, they supported any Muslim candidate, even one from Golkar. They were of the view that the old strategy — to support Islamic parties only — did not bring benefit to the Muslim community. Therefore, the strategy of "Islamic Politics" (that is, to gain influence/power through an Islamic party) was abandoned. It was replaced by the strategy of "Muslim Politics" (to support Muslim candidates regardless of party affiliation). This group was ready to co-operate with Golkar which had been led by Soeharto. Thus, Islam had developed under Soeharto's New Order.[37]

Islam became more influential during the election. All candidates regardless of party affiliation projected an Islamic image. For instance, during the campaign, Harmoko of Golkar always yelled to his supporters: "Allah is great. Golkar will win". The PDI banner said: "Indonesia is my country, Islam is my religion, *Banteng* (wild ox, the symbol of the PDI) is my choice". The PPP slogan was: "In the name of Allah, I will vote for *Bintang* (Star, the PPP symbol)".[38]

Projecting an Islamic image was only one method by which Golkar gained sympathy. It also distributed economic benefits before the election as it could afford to do so. It developed the rural areas, although the fruits of development were not evenly spread. These activities intensified as the general election approached.[39] Civil servants were also encouraged to vote for Golkar. Using these various methods, it was not surprising that Golkar won a landslide victory. It gained 68.1 per

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cent of the total votes. The PDI gained 14.9 per cent of the votes, while the PPP collared 17 per cent. Although Golkar obtained 5 per cent less votes compared to 1987, it was still the highest compared to its performance in other elections.[40]

De-militarization of Golkar after the 1992 Election

It is worth noting that President Soeharto was unhappy with the results of the 1992 election. The Golkar leadership under General (Retired) Wahono was criticized, and many people felt that Wahono's days were numbered.

The presidential election was held soon after the 1992 general election. The military was successful in securing the Vice-President's post for General Try Sutrisno, defeating the idea that a civilian like Dr Habibie could be Vice-President. Nevertheless, Habibie did not disappear from the political arena. On the contrary, he was reappointed by Soeharto as a Cabinet Minister and his men also occupied key positions in the new Cabinet. It should be pointed out that Habibie had also been appointed the chairman of Golkar's Supervisors' Council, which was entrusted with the task of forming the central leadership in late 1993.

The Habibie team succeeded in preparing the list of Golkar leaders, which differed from the one presented by Wahono. Habibie proposed Harmoko, the Information Minister, as the new General Chairman, while Wahono proposed General (Retired) Soesilo Soedarman, who was actually put up by the Retired Military Association.[41] In the end, Habibie's candidates were elected because they were acceptable to the Chief Supervisor of Golkar, President Soeharto.

The General Chairman of Golkar, Harmoko, is a Soeharto loyalist. The new Treasurer of Golkar is Bambang Trihatmodjo, the second son of Soeharto, and Mrs Rukmana (Tutut), Soeharto's eldest daughter, is one of the eight Golkar chairpersons. Only three retired military men remain in the new Central Board of Golkar: Ary Mardjono, who is the Secretary-General of Golkar, General (Retired) Mochtar and Abdul Gafur who are the other two chairmen.[42] The three military men are regarded as marginal figures by the military. Many do not even remember that Gafur was a military man.

There has therefore been a demilitarization process in Golkar, as evidenced by the composition of the new Golkar Central Board. Nevertheless, 78 per cent of Golkar branches are still under military control.[43] In other words, the "demilitarization" has only taken place at the national level.

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With a dichotomy at the national and district levels, it is interesting to note the role of Soeharto, who has been the dominant figure in Golkar. The 1993 Golkar Congress gave a clear indication that the Chief Supervisor was supreme and that he was the real decision-maker. While there has been a "demilitarization" process, on the one hand, there has also been a concentration of power in the hands of Soeharto, on the other.

Under Soeharto's directive, Golkar has begun to purge the people close to the military group and this appears to have been quite successful. Even Sembiring, the general who was critical of the "demilitarization" of Golkar, was reported to have been removed. Soeharto has been able to control the military, as evidenced by his measures to weaken the so-called Benny Murdani group, and in the reorganization of the Military Intelligence Unit. Nevertheless, the "demilitarization" of Indonesian politics has just begun. Another example of "demilitarization" is the reduction in the number of appointed military members to Parliament for the 1997 election. The number was reduced from 100 to 75.

However, some observers maintain that the "demilitarization" has been limited as the doctrine of the military's "dual function" remains as law. Soeharto himself has also stated repeatedly that the "dual function" will stay in order to achieve political stability in Indonesia. Fearing the possible loss of support from the military, General Hartono, the Army Chief of Staff, stated that in fact the armed forces still supported Golkar before the 1997 general election.

It is also interesting to note that while the military still supports Golkar, many Muslim leaders have also been joining Golkar. Even the popular Muslim singer Rhoma Irama left the PPP and joined Golkar. Apparently, some Muslim groups decided to continue to apply the strategy of "Muslim Politics" in order to gain more influence from inside, although the key positions in Golkar are still in the hands of the *abangan* type rather than *santri*-type Muslims.

The 1997 Election, Golkar and the Soeharto Family

There has also been a new development in Golkar with Soeharto's family members beginning to be active in it in the last few years. Tutut, Soeharto's eldest daughter, has been campaigning for Golkar and kept a high profile during the 1997 general election.[44] There was a rumour that she was being groomed for a high position. Not surprisingly, she was asked by the press whether she aspired to become the Vice-President. She was non-committal in her answer.[45]

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Before the 1997 election, people began to suggest that Soeharto was building a political dynasty. It also became more obvious that Soeharto was recruiting his loyal supporters into Golkar, often at the expense of the military group.

The 1997 election was the most violent in Indonesian political history. There were many riots and conflicts between the candidates, leading to incidents of arson and many people were injured and killed. The reasons for the violence are many. Clearly, there was discontent among the urban dwellers against government policies. There was also some indication that a counter-èlite was using the election as an opportunity to create instability. Some even argue that this was a protest staged by politically-conscious people aspiring for change.

Nevertheless, Soeharto took a firm stand on the riots, and decided to hold the election at all costs. As predicted, Golkar won a landslide victory. Golkar's 74.5 per cent of the votes was much higher than its target of 70.02 per cent. Many observers argue that this was due to ballot-rigging. For instance, in Madura, supporters of the PPP even set fire to the voting station because they alleged vote-rigging by the government. The government was forced to repeat the voting process but the result was still in favour of Golkar.

The PDI was in disarray as a result of the government's intervention in the party's internal affairs — it only gained 4 per cent of the votes. The PPP, with the support of some anti-government PDI elements, gained 23 per cent of the votes, higher than the previous percentage but lower than they had expected. When the results of the elections were announced, opposition parties, especially the PPP, were reported to be unhappy and wanted to reject the results. However, they were "persuaded" to accept the results and the PPP national leadership apologized to its supporters who voted for the party, saying that they had no choice but to accept the results "for the sake of the nation's future".[46]

Commenting on the 1997 general election, the *Jakarta Post*, which is known for its moderate stand, noted in its editorial that "the recent general election was marred by riots and protests, indicating people's greater courage to express their political aspirations and make their voices heard".[47] The editorial also said that the people, after witnessing five polls since the birth of the New Order, "clearly said that they wanted a cleaner and more transparent general election and to be given greater freedom of choice".[48] Finally, it noted that there would be improvement in the future. With the landslide victory of Golkar, the chance for Soeharto to be re-elected President again in 1998 has been ensured.

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Conclusion

Golkar emerged as a political party in the 1971 election and has continued to play a major role under the leadership of Soeharto. It was initially organized as the political arm of the military and represented the *abangan* culture rather than the *santri* culture. However, it has been transformed gradually into a more "Islamic" organization, at least in terms of the rituals and the number of prominent Muslims in the organization. But it has not been transformed into a *santri* party. This is perhaps related to its strong military role. Nevertheless, the role of the military officers at the national leadership of Golkar has been curtailed and civilians appear to have taken a more active role, although it is still under the control of Soeharto.

In the past, Golkar had been a political arm of the army but as time passed, it became more complex. In order to broaden his base, Soeharto has gradually transformed Golkar into a quasi-civilian party. It is still under his firm control. As long as he is around, Golkar will remain quite united, or at least with no open splits. However, during the post-Soeharto era, without the presence of a strong man like Soeharto, it is possible that there will be a power struggle within Golkar.

Questions arise as to the future role of Golkar. Will Golkar continue to exist? What will be the nature of Golkar? Answers to those questions constitute another article.

NOTES

1. This section is mainly based on Leo Suryadinata, *Military Ascendancy and Political Culture: A Study of Indonesia's Golkar* (Ohio University Press, 1989, 1992 [2nd printing]).
2. It should be noted that since the 1987 general election, the number of DPR members has been increased from 460 to 500 and the number of MPR members, from 920 to 1,000. See Suryadinata, *Military Ascendancy*, p. 118.
3. This section is mainly based on Leo Suryadinata, *Political Parties and the 1982 General Elections in Indonesia*, Research Notes and Discussion Paper No. 36 (Singapore: Institute of Southeast Asian Studies, 1982).
4. *Undang-Undang Sistem Pendidikan Nasional* (Jakarta: Kreasi Jaya Utama, 1989).
5. *Jilbab* is a female headgear for Muslim women. Previously, those who wore *jilbab* were not allowed to enter school. *Straits Times*, 18 February 1991.
6. Ibid. Those who disagree with the wearing of *jilbab* argue that Islam does not require Muslim students to wear *jilbab*. The government's earlier objection might be related to the association of this attire to Islamic fundamentalism.
7. *Tempo*, 26 January 1991, p. 22.
8. *Tempo*, 10 December 1990, pp. 26–27.
9. *Tempo*, 9 February 1991. However, real unity was never achieved. Amien Rais, the chairman of Muhammadiyah, was recently expelled from ICMI.

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10. When asked why he performed a pilgrimage to Mecca, Soeharto was quoted as saying: "I know this obligation cannot be postponed any longer". *Tempo*, 11 May 1991, p. 24.
11. *Tempo*, 19 January 1991, p. 19.
12. On an account of the bank, see Ismail Suny, "Pancasila paves way for Moslem organizations to enter new spheres", *Jakarta Post*, 5 June 1992.
13. Many political observers commented that the proposed law was aimed at "garnering the support of the Muslim community for the government during the forthcoming elections". See *Tempo*, 24 June 1989, pp. 29–30. Both the government and the army denied this.
14. *Tempo*, 24 June 1989, pp. 29–30.
15. Ibid.
16. "Sebuah Undang-Undang Lapang Dada", *Tempo*, 26 June 1989, p. 26.
17. Ibid., pp. 22–23.
18. "Pengadilan Borobudur", *Tempo*, 17 November 1990; and *Utusan Malaysia*, 2 February 1991, p. 5.
19. *Kompas*, 20 October 1990.
20. Ibid., and also "Milang-Miling Calon Presiden", *Tempo*, 27 October 1990, p. 23.
21. *Tempo*, 9 May 1992, pp. 22–23; 28–29. Golkar men present at the "Political Prayer", apart from Alamsjah and Ismail Hassan, were Minister Azwar Anas, Minister Akbar Tanjung, Gen. (Retired) Suhardiman, and others.
22. Ibid., p. 22.
23. Ibid., p. 23.
24. A. Margana, "Doa Politik", *Tempo*, 9 May 1992, p. 21.
25. *Editor*, 23 June 1990, p. 30.
26. See *Editor*'s interview with Hartas, ibid.
27. *Tempo*, 9 May 1992, p. 25.
28. *Tempo*, 27 October 1991, p. 23.
29. *Suara Karya*, 16 October 1990.
30. *Suara Karya*, 18 October 1990.
31. *Tempo*, 23 February 1991; and *Far Eastern Economic Review*, 23 May 1991, p. 14.
32. *Tempo*, 19 January 1991, p. 18.
33. *Forum Keadilan*, 11 June 1992, p. 18; and *Tempo*, 19 January 1992, p. 29.
34. *Forum Keadilan*, 11 June 1992, p. 18.
35. Ibid.
36. *Tempo*, 6 June 1992.
37. Discussion with some Muslim intellectuals in Jakarta.
38. *Tempo*, 6 June 1992, p. 27.
39. For instance, in Aceh, every district head was given Rp. 500,000 while every village head was given Rp. 100,000. See *Tempo*, 4 July 1992, p. 24.
40. *Kompas*, 30 June 1992.
41. *Tempo*, 23 October 1993, p. 29.
42. *Kompas*, 26 October 1993, p. 16.
43. During the period 1988–93, 21 out of 27 District Boards of Golkar were led by retired military officers. During the current period (1993–98), the military is equally dominant. *Tempo*, 23 October 1993, pp. 30–31.
44. In the last ten years or so, the eldest daughter of Soeharto has been active in the socio-political and economic fields. For an interesting account of her business, social and political activities, see the special report and a rare interview in *Forum Keadilan*, 23 June 1994, pp. 20–31. When she was asked whether she would be willing to be president in five or ten years time, her answer was evasive. "Let's wait ..." she said.

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45. For the most recent interview with Tutut on the issue of the vice-presidency, see *Gatra*, 12 April 1997, pp. 34–35. Tutut continued to say that this was not the time to talk about her possible candidacy as the vice-president. Nevertheless, she did not state that she would not accept the nomination.
46. *Kompas*, 24 June 1997.
47. *Jakarta Post*, 24 June 1997.
48. Ibid.

LEO SURYADINATA is Associate Professor in the Department of Political Science, National University of Singapore.

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Book Reviews

Negotiating the Pacific Century: The "New" Asia, the United States and Australia. **Edited by Roger Bell, Tim McDonald and Alan Tidwell.** Allen and Unwin in association with the Australian Centre for American Studies, St. Leonards, NSW, 1996. 324 pp.

Negotiating the Pacific Century is an attractively presented, edited book which explores the implications of a rising Asia for U.S.–Australia relations. As most of the contributors are Australians, it is, essentially, an Australian-centric collection of views about the changing dynamics of the bilateral relationship. The book is divided into fifteen chapters, which survey the economic, political and strategic dimensions of the U.S.–Australia relationship, as well as issues such as Asian values and human rights.

Roger Bell's opening chapter sets out to depict the salient features of the new regional security canvas. In fact, Bell travels well beyond the boundaries of the Asia-Pacific region to survey, with impressive grasp, the seminal changes to the *global* security environment. He defines Asia in terms of its diversity, rather than homogeneity (p. 4), and like the American economist Paul Krugman, cautions against unbridled optimism that the twenty-first century will be the Pacific Century. In what has become conventional wisdom in the 1990s, Bell avers that "geoeconomics now challenges geopolitics as the central determinant of relations between states" (p. 9).

Bell sharpens the focus of his analytical lens in the following chapter on the Australia–U.S. relationship, surmising that the relationship will decline in importance relative to both states as Australia's

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economic stake in Asia increases along with its preference for multilateral institutions. While Bell generally presents his case well, some of his supporting arguments are contestable or need qualification. For example, his assertion that APEC (Asia-Pacific Economic Co-operation) can be characterized as "the central instrument of Australian foreign policy" is a little overstated (p. 19). Moreover, even if the relative importance of the United States has declined, does that necessarily diminish the centrality of the U.S. relationship to Australia?

In his chapter, David Goodman singles out China as one of the major challenges to global and regional "equilibrium". Goodman goes on to make the more contentious observation that increasing decentralization and regionalism in China will not lead to a USSR-style of political disintegration, as many commentators have concluded, but that these trends may actually strengthen the Chinese state (pp. 54–55). The most interesting argument in Goodman's well-written and readable account is his belief that China's capacity to influence global economic and financial markets will be of far greater significance for international security than its geostrategic ambitions (p. 61).

The thrust of Andrew MacIntyre's thesis is that Australia's increasing engagement with the states of the contiguous Southeast Asian subregion is indirectly weakening bilateral ties with the United States because the interests of Australia and the United States in Southeast Asia are diverging noticeably. The gap, in MacIntyre's opinion, will continue to widen (p. 72), even though there are some countervailing forces at work which act to strengthen existing links.

Purnendra Jain's and John McKay's chapters are devoted to Japan and the Republic of Korea (ROK). Jain's analysis of Japan is confined to domestic political and economic developments "and their broad impact on global and regional developments" (p. 87), with only brief references to Australia and the United States. John McKay explains the reasons for the Korean economic miracle, and sketches the salient political, social and economic characteristics of contemporary Korean life. There are occasional blemishes in what is otherwise a sound analysis. For example, McKay's belief that the powerful heads of the *chaebols* have been unable to replicate their economic clout, politically, ignores the immense indirect influence they have been able to exert on the Korean political process through the use of manipulative financial power, as recent events have shown. Both these chapters would have been improved significantly if their arguments had been better linked to the book's central theme.

If the chapter on India had been written during the Cold War era, Marika Vicziany might have had trouble filling its pages. Until very recently, Australia's profile in India has been all but invisible, with the

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possible exception of the periodic and often contentious tours of the Australian cricket team to the sub-continent. As Vicziany observes, however, Australia's interest in India has grown exponentially since 1991 after decades of indifference. While Australia's influence cannot be compared with that of the United States, improved relations with India are part of a historical trend which has seen Canberra gradually lessen its dependence on Washington. Vicziany, however, sees little likelihood of serious economic frictions between Australia and the United States over their Indian policies or interests.

In his chapter, the former head of Australia's Department of Foreign Affairs and Trade, Richard Woolcott, encapsulates the seminal political changes in key East Asian states during the past half century, and focuses on the continuing uncertainty about the Clinton Administration's Asia policy. Like others in this book, Woolcott clearly believes that the Australia-U.S. relationship is in decline, but he balances this judgement by reminding his readers of the many interests and cultural bonds which still unite both states.

One of the best structured and clearly written chapters in the book is John Ravenhill's comparative study of the changes in U.S. and Australian trading patterns with East Asia. Ravenhill covers a lot of ground, discussing whether or not the emergence of an East Asian regional trading arrangement is likely (p. 171) — on balance, no — and arguing that diverging patterns of economic engagement with East Asia have led to increasing tensions between Canberra and Washington "not only over US bilateral trade policies, but also over contending approaches to the promotion of closer economic co-operation in the region" through APEC (p. 181).

Alan Tidwell is one of the few contributors to look at U.S. strategic interests in East Asia. The principle finding of his chapter, entitled "The New Asia and American Policy", is that the United States has substantial interests at stake in Pacific Asia which will eventually compel Washington to re-engage with the region. His second chapter, written in conjunction with Andrew Heys, analyses the dynamics of five regional conflicts — Burma, Cambodia, Vietnam, North Korea and the Spratlys — and attempts to draw out the implications for the Australia–U.S. relationship. Both chapters tend to meander a little and the sharpness of the arguments and conclusions suffer as a consequence. Some key judgements also lack supporting argument or evidence, for example, Tidwell's view that U.S. disengagement from the Asia-Pacific would "prove disastrous for Australia" (p. 19) and the assertion that Asia may prove to be a "hotbed" of intra-state conflict (pp. 202–3).

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Stephen Cambone contrasts the different approaches Australia and the United States have adopted towards the Asia-Pacific region and suggests that the latter could learn much from Australia's example in seeking to become part of the neighbourhood, rather than remaining an outside actor (p. 235). Cambone's engaging chapter is full of thoughtful insights, and he is, on the whole, much more positive than the Australian contributors about the prospects for enhanced future strategic co-operation between Australia and the United States.

John Ingleson's chapter on the "Asian" ethic examines the well-known, but nevertheless still hotly contested, debate over whether or not there is a set of unique "Asian" values. He focuses on "mutual perceptions of the 'Asian' ethic by elites in Asia and the West" and finds that the reality of an encompassing "Asian" ethic, or value system, is problematic (p. 265). The only shortcoming of Ingleson's well-written and scholarly analysis is that he does not really address the implications of the Asian values debate for the Australia-U.S. relationship.

Harry Harding's comparison of U.S. and Australian approaches to human rights issues in Asia begins with the observation that devising a suitable human rights policy for the region poses "serious practical and intellectual challenges for both Canberra and Washington" (p. 268). Few would contest Harding's view, given the policy "flip-flops" on this issue that successive American and Australian governments have performed since human rights first appeared on Western foreign policy agendas in the 1970s. Harding concludes that although there have been significant national differences in the way in which human rights is defined and promoted in Australia and the United States, generally speaking, the differences have not been contentious. Harding also feels that there is scope for much closer co-operation on human rights in Asia "which would carry benefits for each country" (p. 292).

The brief, concluding chapter by Bell, Tidwell and Tim McDonald, reiterates the view that although the bilateral relationship is characterized by both divergent and congruent interests, "the common strategic interests drawing together the two Pacific states have receded" (p. 304).

Negotiating the Pacific Century is a welcome, valuable and long-overdue addition to the growing academic literature charting the course of the post-Cold War Asia-Pacific region, because it is one of the few books which specifically singles out the Australia–U.S. relationship for analysis. In one sense, the timing of this book is a little unfortunate. Its central message — that Australia–U.S. ties are weakening — comes at a time when a new conservative government in Australia has already

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signalled its strong determination to reinvigorate this relationship. Nevertheless, the book's scholarship and sweep will ensure that it stands the test of time, as much as any study on contemporary international relations is able to do in this period of flux and change.

The main criticism that can be made of the book — and this is really a sin of omission rather than commission — is that some of the contributors do not extend their analysis of the evolving dynamics of the Australia–U.S. relationship far enough to consider the full ramifications for both states. If the relationship is in decline, what are the consequences? And if such a decline is not in the interests of the United States and Australia, then what concrete steps can be taken to reverse the trend? There is also a tendency to over-emphasize areas of divergence without giving sufficient counterweight to the still substantial ties which bind the United States and Australia. Even a relatively less important United States is still likely to remain the paramount foreign influence on Australia's security and trade policies in the coming decade, notwithstanding Australia's steady integration into Asia and current U.S. ambivalence about the priority it should accord to the region.

Negotiating the Pacific Century is, nevertheless, recommended reading for scholars, policy-makers and those of the wider community who wish to be informed about how Australia–U.S. relations are being reshaped by the emergence of a dynamic and assertive Asia.

Alan Dupont
Asia-Pacific Security Programme
Strategic and Defence Studies Centre
Australian National University

India and Southeast Asia: Challenges and Opportunities. **Edited by Baladas Ghoshal.** New Delhi: Konark Publishers, in association with India International Centre, 1996. 127 pp.

This slim volume may be received as the first academic response to India's new policy orientation towards Southeast Asia, as part of its "Look East" priority in post-Cold War Asia. The volume has seven contributions of varying lengths and expertise and it comes to the reader as outdated, not only because it was published two years after the seminar on this subject was held, where these papers were presented, but also because rapid and extensive developments in India's relations with Southeast Asia, in myriad areas, have taken place during these two years. One would have expected the editor of the volume to

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highlight some of these significant developments in his introduction but he does not go beyond presenting a brief summary of the contributions.

It is quite in order to look back at India's policy towards its Southeast Asian neighbours while analysing recent developments. Almost all the contributors blame India, and for right reasons, for neglecting this region, but in doing so they are dealing with the theme at a broad generalized level, not going deeper into the strategic dynamics of inter-Asian relations and constraints imposed on India's policy by the Cold War. As a result, the volume does not give a proper place to India's very close relations with the Indochinese states nor does it underline the compulsions which led India to support the Vietnamese position in Cambodia. India's efforts to explain that its relationship with Vietnam had nothing to do with its strategic proximity to the then Soviet Union, and that India saw Vietnam as an ally in keeping China contained in Asia would not cut much ice. Strangely, the ASEAN members now acknowledge the same strategic logic, although Vietnam continues to be governed by a communist system. At least, Indian scholars should keep this perspective in mind and arrive at a balanced judgement, taking into account the imperatives of the Cold War which put India and the ASEAN countries on opposite sides of the global strategic divide. Indian contributions need not be unduly swayed by the arguments made by the academic community and policy-makers in the ASEAN capitals. Not many people perhaps know that India was granted the status of a Dialogue Partner in May 1980, but the status was quietly withdrawn the next month to punish India for its pro-Vietnam policy on the Kampuchean issue, notwithstanding the fact that ASEAN was a regional economic co-operation arrangement and not a political forum. India's "Look East" policy is also seen by the contributors as being initiated from 1994, with then Prime Minister Narasimha Rao's speech in Singapore. The ground work prepared by the Rajiv Gandhi regime during the late eighties and moves made by the Rao government soon after its coming to power in 1991 have not been properly highlighted.

In the evolving context of post-Cold War relations in Asia, both strategic and economic ties have come to acquire considerable significance in India-ASEAN relations. Economically, the imperatives of reform and globalization prompted India to look East in search of markets and investments. This has been highlighted in Charan Wadhva's and other papers. There is no doubt that India has succeeded in establishing positive and mutually beneficial relations with the countries of the region. Even in terms of its position in ASEAN, India has managed, not only to get itself upgraded from a sectoral to a full Dialogue Partner,

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but it has also become a member of the ASEAN Regional Forum (ARF) on security discussions, leaving its competitors, both Pakistan and China, behind in some respects. But all this could not have happened if the ASEAN countries had not found it in their interests to get India increasingly involved in their region's affairs.

The book, however, fails to discuss and analyse the factors that prompted the ASEAN countries to pay greater attention to India in pursuance of their own specific interests. Not only have India's emerging market potential, sound technological and industrial base and impressive reserve of human resource capital been found to be attractive by the dynamic ASEAN economies but India's defence capabilities have also been taken cognizance of. The responses of the ASEAN countries towards India have also been of varying nature and intensity, which has not been taken into account by the contributors to this volume. The editor, in his essay, discusses some of the bilateral relations between India and the countries of the region but only Malaysia, Indonesia, Singapore and Vietnam have received attention. Other countries of the region do not figure in the discussion. The most important omission has been that of Myanmar, with which India's relations have taken a significant turn since 1993. It must be kept in mind that this volume is expected to deal with the whole of Southeast Asia and not ASEAN alone, although most of the discussion in this book is on ASEAN. The question of divergent business practices and decision-making styles in ASEAN and India and the areas of mismatch in their respective priorities and mutual expectations in the fields of trade, investments and joint ventures should also have been studied. The volume provides no clue to the change that has occurred from the excitement and euphoria of 1994 to the creeping sense of frustration and disappointment in Southeast Asia about the prospects of their co-operation with India.

In looking at the strategic nature of the India–Southeast Asia relationship, it is necessary to understand the overall security concerns and equations in the region, including the role of the major powers, which constitute the most important aspect of the strategic reality there. The implications of the collapse of the Cold War and the bipolar global strategic balance should have been examined seriously, but both the United States and Russia figure nowhere as strategic factors in any of the contributions. It is essential to keep in mind that India's "Look East" policy has an important relationship with the nature of India–U.S. and U.S.–Southeast Asia relations. The emerging assertive security and economic role of Japan in the region has also important long-term implications for India's engagement with the region. There could

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have also been a separate chapter focusing attention on the roles of these important players in Southeast Asia to be integrated into India's policy. Only Professor Suryanarayan's contribution briefly mentions the broad parameters of the major powers' strategic role in the region.

The volume rightly devotes considerable space to China and its emergence as an overarching economic and strategic factor in the region. But the line of argument in most of the contributions, except that of Mrs Hussain's, runs along a stereotype perspective that India should and will play a balancing role *vis-à-vis* China in the region. There is need to understand the vital nuances that exist in the perceptions of the Southeast Asian countries towards China in terms of its short, medium and long-term security goals and stance in the region. Not only the Southeast Asian countries but all the major players in the region are individually and collectively trying to position themselves between the strategies of containment and engagement in their dealings with China on sensitive security issues. To what extent India fits into these calculations is a subject of careful and cool scrutiny and assessment, which the volume has not been able to offer. In the realm of bilateral defence ties, Naidu's and Ghoshal's contributions present the possibilities but without going into the constraints and limits imposed on these ties. India cannot, and has not been able to, respond to all the demands for defence collaboration emanating from Southeast Asia in view of the undercurrent of mutual rivalry and apprehension operating among the ASEAN members, and also without evaluating the long-term implications of adding to the defence capabilities of the ASEAN members in terms of security relations in the region. One also wonders if India has credible capabilities to be of much significance in the disputes between China on the one hand and the Southeast Asian countries on the other in the South China Sea.

On the whole, this book is a poor academic response to a vital policy area of India's emerging priorities in Asia. Much remains to be desired from the editing of the volume which has merely been presented as a compendium. If the editor could have, even without updating the contributions and the discussions, presented a detailed summary of the discussions that took place during the seminar, the value of this compendium would have been enhanced.

S. D. Muni
School of International Studies
Jawaharlal Nehru University
New Delhi

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India Looks East: An Emerging Power and its Asia-Pacific Neighbours. **Edited by Sandy Gordon and Stephen Henningham.** Canberra Papers on Strategic and Defence No. 111. Canberra: Strategic and Defence Studies Centre, Australian National University, 1995. 280 pp.

India has risen from deep slumber and global irrelevance and is attempting to assume a place in the world in keeping with its potential. But the process has just begun and progress will be slow. Its turbulent democracy does not allow quick changes and may not even be conducive to maintaining a steady course. Yet, democratic pluralism is the only way that a society as divergent as India's can ever accommodate the varied aspirations of its many peoples. This is a major restraining factor affecting national political decisions. It is also why a coherent policy, such as economic opening-up and even "Look East", assumes unnecessary complexity. But at last the path has been broken, and a map is drawn. The process is now irreversible. Surely, even if slowly, this will change many of India's relations in Asia, particularly East Asia.

What is India's "Look East" policy? This raises other questions, such as how does India see itself globally, and where and what lies to its east? As in most cases, the view has to be from its capital, Delhi. Viewed from there, India sees itself situated squarely in a southern Asian region — an area that it defines as encompassing China, Central Asia, West Asia, the northern Indian Ocean and East Asia. If to its west, the scene is of potential conflict, to the east it is one of opportunity. To the west lie geostrategic challenges. In the East there are opportunities for geoeconomic partnerships. It is India's perception of a resurgent Asia-Pacific that gives shape to its "Look East" policy. Hope and aspiration, and not a carefully crafted plan of action is the way that India approaches the East. In this perception, East is not merely Southeast Asia, not even East Asia, but the entire Asia-Pacific.

The most significant statement of India's "Look East" policy is to be found in former Prime Minister Narasimha Rao's Singapore Lecture on 8 September 1994. Rao accepted that the area was "rather loosely defined", but that APEC (Asia-Pacific Economic Co-operation) and the ARF (ASEAN Regional Forum) defined its "geographic criteria". What attracts India to the region is that it holds well over half the world's population and wealth. Its dynamism impels global activity. The vision of interaction that Rao laid out was comprehensive. It included strategic, economic and political co-operation, based on partnership.

India's then Foreign Minister and now Premier, Inder Gujral explained this even more clearly when he said in Jakarta on 24 July 1996

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at an ARF meeting that: "What look East really means" is that "an outward looking India is gathering all forces of dynamism — domestic and regional — and is directly focusing on establishing synergies with a fast consolidating and progressive neighbourhood to its east in the mother continent of Asia."

The book, *India Looks East: An Emerging Power and its Asia-Pacific Neighbours*, was based on a seminar held in Canberra, three months after Rao's speech. The timing was right, the division of chapters apt and the authors were well chosen. However, the papers are not of uniform quality. Some appear to be rather hurriedly crafted. Yet, overall, the book makes a major contribution to India's emerging relations with some of its Asia-Pacific neighbours. Both editors deserve great credit for bringing such diverse opinions together in one compilation. Commenting nearly three years after the seminar, it is interesting to compare the present reality with earlier assessments.

Two chapters provide the broad overview of India's relations with the outside world. Ramesh Thakur deals with this in four dimensions — political, cultural, security and economic — and covers the whole range of India's policy with the world in an excellent overarching analysis. Jasjit Singh is more focused on strategic and security perspectives. He places Asia in the context of the emerging world order and searches for India's role within this. He emphasizes the economic dimension of security and sees great promise in its relations with East Asia. At the same time, he has highlighted India's larger western orientation and warns that if the pace of interaction with the Asia-Pacific is slow, "India is likely to slide back to its traditional western focus." This is an ominous prediction, but one that has been overtaken by India's admission as a full Dialogue Partner of ASEAN in July 1996. Though long overdue, this now signals the region's greater willingness to incorporate India within its fold.

George Tanham provides a brief but perceptive chapter on Indo-U.S. relations. He begins with a huge understatement that merits repetition, "In Washington's and in most Americans' view of the world, India is not centre-stage." This may also serve as a summation of Indo-U.S. relations. For India, the United States is clearly centre-stage. It is India's largest trading partner and its biggest investor. To the United States, India hardly emerges on the radar screen. Tanham had published a monograph on Indian strategic thinking the previous year. In it he had highlighted a facet that is not so well understood in the West, but one that was quoted by Rao in his Singapore speech. It reads, "India retains a long-term unshakeable commitment to strategic independence and autonomy in its decision-making and military capabilities,

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although its economic, industrial and technological shortcomings continue to limit the success of such a strategic design." This might explain why India can never be a part of a larger strategic grouping.

In the next chapter, Gupta analyses India's increasing eastern orientation. It is replete with facts and figures of trade, external assistance and investments that are of immense help. Brahma Chellaney's chapter on India's nuclear and other defence aspects provides a strategic perspective. He assesses threats to Indian security, not challenges, and hence highlights the nuclear capabilities of China, and China–Pakistan nuclear and conventional linkages.

The next five chapters deal with India's relations with other major countries and regions. The two most important are its immediate neighbours, China and Burma. India–China relations have been much written about but less well understood. It is a complex relationship, as is bound to be the case with two large nations adjacent to each other and attempting to emerge simultaneously in the world. It is complicated by the fact of armed conflict and two decades of residual hostility. Yet, it is not necessary that the relationship will be conflictual for all time. As Mohan Malik writes, the "peace and tranquility agreement" of September 1993 is an acceptance of ground realities and would most likely be the basis of a final settlement. This possibility has been further strengthened by President Jiang Zemin's visit to India at the end of 1996 and the resultant agreement on the non-use of military capability against each other. One conflict does not necessarily make permanent enemies. Rapid improvement of relations between Vietnam and China in the last year bears testimony to the possibilities of co-operation for mutual benefit, despite outstanding issues. Beyond the border, there are no fundamental areas of conflict between the two countries. Indeed, there is considerable potential for co-operation in many areas. Just as with China's relations with its other major neighbours, this relationship too will depend on many factors, such as domestic compulsions, external influences, ethnic conditions along the border areas and the global strategic environment. A degree of caution is warranted, but not undue alarm.

Andrew Selth provides a balanced view of the potential of China–Burma–India relations. It does not necessarily have to be seen as one of competition and strategic concern. There is also the dimension of potential co-operation. India has never perceived Burma as a threat. Actually, there is a long history of continued military co-operation, albeit at a very low level because of Burma's own sensitivities. India–Burma relations have improved greatly since 1993, though not without its hitches. Selth does well to highlight two areas. One is the question

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of the so-called Chinese naval base. While a potential area of conflict may be there, no hard evidence exists. Crying wolf too often may not be the best course of action for external actors. The second is the inherent pride of the Burmese. This would not allow the SLORC (State Law and Order Restoration Council) or anyone else in power to adopt the role of a supplicant, to China or anyone else.

The remaining chapters by Satu Limaye, Sandy Gordon and Meg Gurry address other relationships with understanding and sensitivity.

Much has happened in the last three years to substantiate the guarded optimism expressed in the book. India's relations with China and Burma have improved. Japanese businessmen are beginning to put their money previously where they had only come for a look. The South Koreans are establishing a presence in India, and a future analysis would have to include a chapter on Korea–India relations. Yet, much of the promise remains unfulfilled. India's economic reform process has lost its forward momentum. It is to be hoped that this will be resumed, but currently it is hostage to the uncertainties of domestic politics. South Asian regional resurgence and co-operation has been held hostage to Pakistan's obstinacy. Relations with Southeast Asia too have not lived up to the earlier promise. What then of the future?

East Asia is far too important to be shunted aside by India as in the past. This interaction will only grow in the years ahead. In terms of policy, "Look East" has come decades too late. Yet, the potential is still there, waiting to be fulfilled.

MAJOR GENERAL (RET.) DIPANKAR BANERJEE
Institute of Peace and Conflict Studies
New Delhi

Naval Power in the Pacific: Toward the Year 2000. **Edited by Hugh Smith and Anthony Bergin.** Colorado: Lynne Rienner Publishers, Inc., 1993. 186 pp.

The end of the Cold War in the early 1990s generated a popular expectation that the post-Cold War world would be a more peaceful and orderly place. In turn, this expectation triggered the notion that all forms of military power would lose their utility and relevance in this "new world order". Consequently, defence planners have found it unavoidable to contemplate new and innovative applications of military power. The rationale is that, like any bureaucratic institution, the armed forces have to justify their existence and resist cuts from budget-

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conscious parliaments and public opinion. The volume, *Naval Power in the Pacific: Toward the Year 2000* is an attempt to address such post-Cold War dilemmas faced by defence planners.

The book looks at the latest developments in naval affairs and attempts to recommend new functions for them in the Asia-Pacific region. The eleven chapters are divided into four thematic parts. Part One examines the military and economic milieu of naval power. Former Commander-in-Chief of the U.S. Pacific Command, Admiral Charles Larson, cites the new and emerging threats that confront the Asia-Pacific region. These threats are ethnic disputes, uneven development, population, and arms build-ups. Wolfgang Kasper analyses the dynamic relationship between economics and naval power in the Asia-Pacific region. He observes that as maritime trade becomes more vital to the economic and industrial growth of the Pacific Rim economies, naval power will become a national priority for the states in the region.

In Part Two, William Tow presents a highly critical assessment of U.S. maritime defence policy in the region. He observes that U.S. maritime defence policy, as embodied in its East Asia Strategic Initiative, showed little concern with "how U.S. security policy diverges or digresses from those entertained in the region." Furthermore, he raises the need for the U.S. Navy to entertain regional initiatives aimed at constraining naval powers, such as the various proposals for a nuclear weapons free zone. Anthony Bergin reviews the impact of the 1982 United Nations' Convention on the Law of the Sea (UNCLOS) on the Pacific Ocean. He warns readers that some of UNCLOS' provisions, specifically the provision of 200-nautical mile exclusive economic zones, can provoke disputes among regional naval powers. Andrew Mack contributes a chronology of the former Soviet Union's naval arms control proposals and the U.S. attitude and responses to those proposals.

The future of the navy is analysed in Part Three. Rear-Admiral N.D.H. Hammond spells out the impact of modern technology on the surface combatant's fighting capability and survivability, while Captain Richard Sharpe contends that technological changes are providing increased strategic advantage for submarines. Norman Friedman offers a possible alternative to the expensive carrier-based naval air arm by advocating the use of frigate-borne helicopters for naval operations.

Part Four lists the current and possible alternative uses of the navy in a changing global environment. Commodore Sam Bateman states that countries in the region are finding their navies extremely useful for their maritime security needs. Accordingly, this is shown by the "ASEAN states' investments in their maritime capabilities which reflect those states' concern over maritime sovereignty and by the growing ability of

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extra-regional countries, especially China, to project maritime power in the region." Ken Booth probes into the peacetime roles of the navies in the region. According to him, these navies perform functions such as deterrence at sea, power projection, coercive naval diplomacy and constabulary functions. Finally, Eric Grove examines the navies' roles in potential conflicts. Like Captain Sharpe's argument, Grove also sees the growing importance of submarines more as "potential equalizers". Furthermore, he advances the view that naval operations in future regional conflicts might take the form of multilateral operations, with global powers asking assistance from local powers analogous to what happened during Operation Desert Storm in 1991.

As mentioned earlier, this book is a product of the early post-Cold War period. Thus, it reflects some of the opposing and confusing trends of that period. On the one hand, the book is based on the realist assumption that military power, specifically naval power, is still pivotal in the international system in view of new and emerging regional threats. On the other hand, it advocates a liberal prescription on the use of naval power, such as multilateral naval co-operation geared for collective security objectives. Such a liberal prescription, however, challenges conventional and traditional approaches to naval strategy. Governments might find it difficult to accept the book's liberal argument that the more flexible, expensive, symbolic, and mobile form of military and national power be used to serve "common interests" and in preserving a "world order". This is specially true in the Asia-Pacific region since states there view their navies as emblems of their success in economic development and state/nation-building efforts. Thus, it is very probable that these states might not find this liberal prescription for naval power practical and viable since they will jealously guard these national symbols from any external force, constraints or management.

Another drawback of the book is that it has already been overtaken by recent developments in naval strategy. Written in 1991, the eleven articles are all focused on the "blue-water" dimension of the navy and are silent on the current and popular notion of "combined or joint service operations". Hence, the book imparts the idea that naval power is an independent and significant element in the state's overall military capabilities. In a way, the book's emphasis on the blue water dimension of naval strategy is based on a nineteenth century Mahanian notion that naval power is the sole and the only decisive element of a state's military capabilities. The current trend in naval strategy, however, is to remove the navy away from this blue-water orientation and take it into the strategic scheme of littoral warfare and joint force operations. In this respect, the notion that naval forces will be used simply or solely

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to counter other naval forces is slowly giving way to the concept that the navy should be deployed in coastal operations in tandem with the other armed services. Thus, the navy of the future should include the more significant but mundane naval chores like amphibious operations, strategic sealift or extraction operations and mine countermeasures. Unfortunately, none of the book's eleven articles highlight any of the said naval operations, nor do any of them mention joint force warfare. On balance, however, the book provides valuable and detailed information and insights about the changing content of naval operations, trends in naval development and technological changes, and fresh recommendations on the utilization of naval power in the next millennium.

RENATO CRUZ DE CASTRO
Department of Government and International Studies
University of South Carolina

Communicating with Asia: Understanding People and Customs. **By Harry Irwin.** Sydney: Allen & Unwin, 1996. 185 pp.

These are heady times in Australia to review a book about "communicating with Asia". When Pauline Hanson, a Member of Parliament from a remote Queensland electorate, raised questions in the Federal Parliament about the level of Asian immigration and the "special treatment" of aboriginal communities, it re-opened a wound in an Australian psyche still burdened with its racist past. Hanson's nostalgic racism depends on an imagining that conjures up an illusory past in which everyone had a job and the country was monolithically white. The current racial debate makes much of the anxiety and disappointment of "mainstream Australians" — whoever they are. The targeting of Asians, aborigines and immigrants is a classic case of recasting the despair of modernity — in this case, the effect of global restructuring in terms of the "yellow and black Other". In a way disturbing to many progressive Australians, Hanson and her followers — now gathering under the banner of her new political party, One Nation — bring a sense of the tragic and the corrupt to the Australian political landscape. And this sense forever redraws the ideological contour of discourse on Australia's relations with Asia. In relation to the vision of an Asianized Australia, in the context of what the press calls the "Hanson phenomenon", any attempt by Australia to bridge the gap with Asia has to be similarly tempered. The book of course was written before the *rise of Hanson*, but the debate about Australia being a part of Asia has been

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going on for at least ten years, most forcefully under the previous Labor government led by Paul Keating. So, it is not unreasonable to expect a certain critical prudence in a book which declares on the back cover:

> Anyone who deals with people from different cultures needs intercultural communication skill whether they are in the workplace, on a business trip overseas, dealing with foreign guests or simply socializing with friends. This is not just a matter of knowing how low to bow in Japan or what gifts to give in Korea. Rather, it is necessary to understand the dynamics of different cultures and intercultural communication. ... (The book) is a comprehensive guide to cultural literacy for Australians who deal with Asians and vice versa.

Harry Irwin is Professor of Communication at the University of Western Sydney, Australia, and has worked in countries throughout Asia. The book opens with a general discussion of Australia's trade relationship with Asia, more accurately East Asia, with the conspicuous absence of the Indian subcontinent. Chapter 2 examines in detail the theory and practice of intercultural communication, while Chapter 3 turns its attention to anthropological issues of customs and social etiquette, body language and gift exchange, drawing on examples from Korea, Japan and China. The issues of national and communal identity are considered in Chapter 4. Here Irwin compares the formation of selfhood in Australia with that taking place in Japan, "Chinese Asia" and "Buddhist and Islamic Asia". The last chapter concludes, polemically, by arguing for the necessity of "achieving Asia-Australia cultural literacy" in the communicative enterprise with Asia. It is argued that the old Asia literacy, emphasizing cultural knowledge and linguistic competence, should be replaced by a new interactive literacy. This literacy is one that takes on a "two-way traffic" interactive view of communication, centred on the sharing of meaning (between Australia and Asia). The chapter ends with a brief summary of the various corporate and university initiatives seeking to enhance Australia–Asia literacy (pp. 149–162).

Communicating with Asia is a useful book which offers travelling business persons and public servants a quick tour of the customs, identities and values of various societies in East Asia. Examples of social behaviour are taken, quite rightly, from business encounters and day-to-day practices. For Australians, it is helpful to be reminded that when selecting gifts, it is better to purchase "gifts outside Asia to give something different and to avoid embarrassing mistakes such as a cheap Asian imitation or giving a Japanese-made item to a Korean" (p. 76). In a similar vein, it is undoubtedly important to undermine the Australian tendency to think of a homogenous "single Asia", a "single

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Asian identity" (p. 130), by highlighting the enormous diversity of cultures and societies in Asia as well as the very unsettled sense of identity in Asia at the onslaught of modernization and globalization.

Yet, a book like *Communicating with Asia* works against itself by making "Asia" and its cultures and societies ultimately knowable. There is a problem in seeing this communication as essentially an intellectual project of "understanding Asia". In spite of Irwin's reminder of Australia's need to be sensitive to Asia's cultural diversity, there is no consistent treatment of the delicate dynamics of social and cultural shifts and their impact on social values and practices. An undertaking that contributes to making "Asia" an object of knowledge already implicates, as Foucault would say, an inscription of power. In this sense, it is perhaps not lacking in generosity to locate the book in the mercuric geography in which Hanson's racist anxiety already claims a home. "Asia" so constructed is given life only for the purpose of contemplating Australia's strategic position in the region. Given the ideological climate in Australia, "communicating with Asia" always has more meaning than it proclaims. In arguing for the feasibility of such a project, the coupling of power/knowledge is always in danger of orientalizing "Asia".

The major problem here is the way in which the author's generalized use of culture obscures the role of state processes in the formation of "Asian identity and behaviour". It is misleading to turn to Confucianism in order to discuss the formation of Chinese identity (pp. 110–15). What Irwin refers to, approvingly, as the "distinctive features of Chinese civilization" — "ancestral worship", "the family model of social order", the "primary" and "sacred" quality of the political order (p. 111) — evokes the narrative of feudal horror and ideological repression that preoccupied the project of Chinese modernity from the late Qing dynasty to the May 4 Movement of 1919, and to the Great Cultural Revolution of 1967. Historical memory aside, the fact that a similar project of cultural essentialism is taking place in a state like Singapore should serve as a warning to this inscription of Asian cultures and identities outside the ruling of power and politics. One wonders if what is needed is not communication and increasing knowledge about Asia, but a political, more astute sense of "unknowing" — a greater sense of discursive futility — that would truly rescue Australia's engagement with Asia and take it along another critical path.

YAO SOUCHOU
Department of Anthropology
University of Sydney

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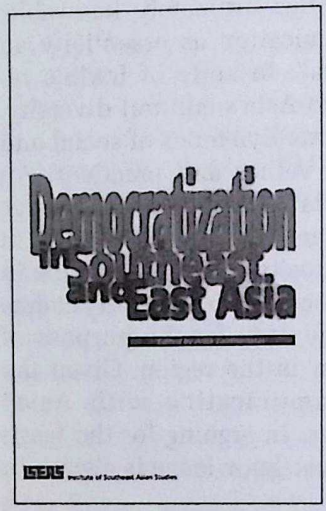
Democratization in Southeast and East Asia

Anek Laothamatas, editor



How has economic development affected the process of democratization in Southeast and East Asia? The contributions in this volume represent one of the first efforts to answer this question from the vantage point of the region. In this book, scholars of Southeast and East Asian politics discuss the rise and fall, or stabilization and modification, of democracy amidst socio-economic changes and class transformations in Indonesia, Malaysia, Philippines, Singapore, Thailand, Myanmar, Taiwan, and South Korea. The approach taken by the contributors gives a fine balance between democratization as a consequence of socio-economic development and as a political-ideological process.

About the editor

Anek Laothamatas is Vice-Rector for Academic Affairs, Thammasat University, Bangkok. He has taught political science at Columbia University and Thammasat University.

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Contributors:

Anek Laothamatas • Chung-Si Ahn • Heng Hiang Khng • Khoo Boo Teik • Lo Shiu Hing • Amir Santoso • Surin Maisrikrod • Tin Maung Maung Than • Renato S Velasco

ISEAS INSTITUTE OF SOUTHEAST ASIAN STUDIES
Heng Mui Keng Terrace • Pasir Panjang • Singapore 119596
Tel: (65) 8702447 • Fax: (65) 7756259 • Email: pubsunit@iseas.edu.sg

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Southeast Asia's Currency Crisis: A Diagnosis and Prescription

LEIF RODERICK ROSENBERGER

The currency crisis in Southeast Asia in 1997 primarily reflects homegrown shortcomings in the national economic strategies of Thailand, Malaysia and Indonesia. While international factors (such as the devaluations of the Japanese and Chinese currencies and NAFTA) all contributed to large and destabilizing current account deficits, crony capitalism and an economic model that favoured runaway economic growth over financial stability have been largely responsible for the financial turmoil. So far, the policy response of the "Asian tigers" has been piecemeal and inadequate. Until this policy paralysis changes, investors will remain jittery about the region and financial turbulence will frustrate economic recovery and political stability.

Introduction

"It was the best of times, it was the worst of times". These words were used by Charles Dickens in his book *A Tale of Two Cities*. But these same words could just as easily be used today to describe the rise and fall of the economies in Southeast Asia. Just a few years ago, the World Bank singled out the economies of the "Asian tigers" as models for long-term economic development. It seemed like "the best of times".

Not anymore. Nineteen ninety-seven was a nightmare for the region. In July this year currency traders savagely attacked the Thai baht. Before long, the currency crisis spread across Southeast Asia. After forcing an 18 per cent depreciation of the Thai baht on 2 July,

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currency speculators quickly turned on other neighbouring countries. The Philippines was next in the firing line. Manila tried to resist the currency onslaught by spending hundreds of millions of dollars defending the peso before finally giving in and floating the peso on 11 July. Then came Malaysia, where the central bank jacked up interest rates to 50 per cent and spent billions of dollars before surrendering on 14 July. The ringgit promptly plunged to a 33-month low.

Indonesia's currency band helped it weather the storm for awhile. But in the end, Jakarta's more flexible foreign exchange policy only delayed the onslaught. Before long, Indonesia's chaotic microeconomic conditions also made it a ripe target for a currency attack. Even a well-run economy like Singapore was soon caught up in the regional contagion. By the middle of the summer, some observers naively thought that the worst was over. The International Monetary Fund (IMF) was hopeful that its US$17.2 billion rescue package for Thailand could somehow contain the problem. But after a period of relative calm, the day of reckoning arrived for all the years of go-go growth, crony capitalism and overborrowing. Evidence of a massive foreign debt problem and a teetering banking sector soon surfaced, which in turn made investors jittery in phase two of the crisis.

The result has been a vicious spiral of falling currencies, collapsing stock prices, and growing fears of corporate bankruptcies and banking failures. Before long, Indonesia, once the darling of the IMF and World Bank, had to approach these Bretton Woods twins for an embarrassing rescue package of its own. Then, in phase three of the crisis, the inability of the political leadership in Asia to respond effectively to the deep-rooted financial turmoil triggered a stock market crash in Hong Kong, which before this was thought to be an island of stability in a turbulent region. The financial turmoil in Hong Kong quickly spread to Wall Street and the other financial capitals around the world. After a much needed correction, strong fundamentals in the U.S. economy will probably help Wall Street make a gradual but steady recovery. Unfortunately, the collapse of global investor confidence in Asian markets is likely to last for some time. One thing is certain: in Southeast Asia, it is "the worst of times".

While it is always risky to generalize, it might be helpful to examine some common elements of what we might call the Southeast Asian economic model. We will then take a close look at three of these economies — Thailand, Malaysia and Indonesia — and explore what went wrong for each of them. In the process, we will learn how each of them might turn their economies around.

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Southeast Asia's Economic Model

During the best of times, most of the "Asian tigers" believed that a rock-steady currency was the fundamental foundation for their economic success. For over a decade, they generally held their currencies stable against a basket of currencies dominated by the U.S. dollar. Currency stability inspired confidence among traders and foreign investors. Economic relations with them consequently appeared to be relatively risk free. For much of the decade from 1985 to 1995, Japanese manufacturers, in particular, saw Southeast Asia as an attractive production refuge from a strong yen. Southeast Asian currencies virtually pegged to a weak U.S. dollar gave "tiger" exports a competitive shot in the arm. In the boom years of 1994 and 1995, their weak currencies attracted huge capital inflows. Much of it was Japanese money. But despite these capital inflows, "tiger" governments, anxious to maintain price advantages for their exports, generally resisted pressure for their currencies to appreciate against the dollar. The result was an unhealthy surge of domestic liquidity. The combination of high national savings and large capital inflows produced huge pools of financial capital, which businessmen used to drive economic growth. Add cheap labour to the mix and it was little wonder that this economic formula helped the manufacturing exports of the "Asian tigers" grow by leaps and bounds.

The flip side of weak "tiger" currencies (which were making their exports so attractive) was a strong yen that was undermining the export competitiveness of Japan. In 1995, the United States and Japan agreed that a stronger dollar and a weaker yen were in the national interests of both countries. Between 1995 and 1996 the U.S. dollar rose 40 per cent against the yen.[1] Since "tiger" currencies were generally pegged in a de facto sense to the rising U.S. dollar, the price of "tiger" exports became less competitive in 1996 and 1997. Meanwhile, in January 1994, China devalued its currency by 50 per cent against the U.S. dollar. This gave China the potential to radically underprice its manufactured goods compared to those of the "Asian tigers". This new export price advantage (plus the new export capacity that China was bringing on stream) hurt "tiger" exports in 1996.

Developments in North America and Europe also contributed to the Asian export slow-down. For instance, there was a shift in the sourcing of U.S. textiles from Asian suppliers to Mexico and Canada as a result of the North American Free Trade Agreement (NAFTA). The Asian share of U.S. textile imports consequently fell from 68 per cent in 1990 to 40 per cent in 1996.[2] In addition, the stagnant economies of continental Europe (as well as Japan) turned out to be especially poor

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customers for the increasingly expensive "tiger" exports. As a result, almost all Southeast Asian exports began to stumble in 1996. For instance, the contrast between Thailand's merchandise export growth in 1995 (25 per cent) and Thai export growth in 1996 (0 per cent) was startling. This zero Thai export growth in 1996 pushed the Thai current account — which measures trade in goods and services — into a huge deficit of 8 per cent of gross domestic product (GDP). Given these trade difficulties, Wall Street and other financial capitals perceived the currencies of the "Asian tigers" as overvalued. And the more overvalued a currency, the greater the perception that the situation was unsustainable, and the greater the incentive for speculators to attack it.

Large Current Account Deficits

Why were the "tigers" not more concerned about the high current account deficits? Their leaders conceded that large current account deficits could be a bad thing, but they made the logical economic argument that if a current account deficit mostly reflects higher investment, it would eventually increase an economy's competitiveness and therefore its ability to repay the debt, and would certainly be more sustainable than a deficit driven by consumer spending.

"Tiger" leaders were also quick to contrast their investment-oriented current account deficit with Mexico's consumption-driven current account deficit. In fact, in the four years to 1994, four-fifths of the increase in Mexico's current account deficit reflected lower savings and increased consumption. In contrast, the widening of most of these Asian economies' deficits reflected higher investment, not consumption. On the surface, all this made perfectly good sense. But the underlying assumption here was that most of this "investment" spending was intelligent and potentially profitable. Unfortunately, nothing could be further from the truth. As will be seen, much of the so-called investment was foolishly spent on property development, resulting in an oversupply, and redundant manufacturing capacity rather than improvement in the quality and competitiveness of "tiger" exports.[3] In addition, "tiger" leaders generally dismissed Thailand's zero export growth as primarily "cyclical", reflecting potentially reversible factors such as weak demand in Japan and Europe and the rising U.S. dollar. They hoped that both factors would somehow turn around in 1997. Such wishful thinking was no substitute for a coherent strategy and would come back to haunt them in the months ahead.

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Structural Faultlines

In some ways, the wishful thinking was understandable. After all, the countries of Southeast Asia had enjoyed phenomenal economic performance for over a decade. This success tended to blind "tiger" leaders to the shortcomings of their export-led economic model. Years of rapid growth had obscured numerous structural problems that desperately needed attention. These long-term problems would combine with the cyclical problems cited above to make a revival of exports increasingly unlikely. For a start, manufacturing competitiveness was falling fast. Malaysian wages, for instance, climbed by 11.4 per cent in June of 1997, but productivity managed only a 1.4 per cent gain.[4] Meanwhile, labour costs in Thai integrated circuit factories were now three times as high as those in similar plants in Shanghai. Similarly, rising wages in such traditional labour-intensive export industries as garments and footwear priced Thailand and other "tiger" economies out of this traditional export market.[5]

In other words, the countries of Southeast Asia face severe structural problems that go beyond regular business cycle difficulties. In this difficult transition period, they must move their economies to higher and more sophisticated levels. Presently, too many of their technicians and managers are ill-equipped to make the next leap to knowledge-intensive, high technology industries.

In addition, the blame for the slow-down in export growth also rests with some corrupt, unresponsive "tiger" politicians who cared more about profiteering from political office than transforming their society for challenges in an increasingly competitive global marketplace. Instead of using slush funds to line the pockets of politically well-connected businessmen, they should have allocated this money to improve the minds of students in rural schools, or worker skills in city factories. Addressing this problem requires serious reform of the traditional old-boy capitalism that generated an impressive but relatively short-lived prosperity.

Rote Learning

But even in the Asian schools which are adequately funded, too many still stress repetitive rote learning, rigid curricula and blind obedience to authority. This dogmatic approach has produced disciplined and politically docile workers for success in low technology industries. But these backward schools have failed to develop innovative, imaginative technicians and managers with creative thinking skills for success in fast-paced, constantly changing knowledge-based industries.

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During this uncomfortable transition between low technology and knowledge-based industries, it is possible for some of the "tigers" to salvage their struggling industries. For instance, Thailand could remain in the garment and footwear business if it develops a market niche in fashion footwear and designer clothing. But "moving uptown" in the apparel sector also requires a flair and creativity that the "tigers" have not demonstrated in the past. "Tiger" industries have tended to merely copy successful rivals, or make up orders on demand. "Tiger" schools and job training need to make a quantum leap from training memories to educating minds to think for themselves. It also means unlocking the creative energies of every Asian man or woman to break away from the pack and fulfil their unique potential, rather than repressing such exuberance by demanding unwavering allegiance to group conformity.[6]

Meanwhile, the rigid economic model of the "tigers" made it increasingly difficult for them to adjust to the new realities of a rising current account deficit. If the "tigers" had been in a floating exchange rate system, the large current account deficit would have caused the baht to gradually depreciate. A weaker currency would have increased the demand for their exports and decreased consumption of imports. That in turn would have lowered the current account deficit and made it possible for them to balance their payments without the need for huge (and potentially destabilizing) capital inflows. But even when the financial crisis became impossible to miss, "tiger" governments still had a rigid mindset about stable currencies being the centrepiece of their economic success in the previous ten-year period.[7] Conditioned by years of rote learning and bound in their mental straightjacket, it was impossible for "tiger" leaders to imagine economic success in a floating exchange rate system.

The Thai Experience

The "tiger" fixation with stable currencies was particularly apparent in Thailand. In a country with more than its share of political and economic turmoil, the currency peg seemed to many as the only stable thing left in Thailand. Consequently, the Thai Government refused to let the baht adjust to a 40 per cent rise in the U.S. dollar against the yen from 1995 to 1996, despite a rising current account deficit. Given the Thai determination to keep the baht stable, some way had to be found to prop it up and counter the downward pressure on the baht from the large current account deficit. Bangkok's fatal "solution" was to raise domestic interest rates to punishingly high levels. These high interest rates had a deleterious effect on the economy in a number of ways.

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First, the high interest rates exacerbated problems in the property and banking sectors. The high interest rates had a particularly negative effect on property developers and made it virtually impossible for many to pay back their bank loans. At the same time as these non-performing loans began to pile up in the banks, high interest rates were also deflating the value of banking assets, thus crippling the solvency of the embattled financial sector. This caused corporate earnings and stock prices of Thai financial companies to plunge.

In addition, high interest rates hurt many manufacturers. It artificially strengthened the baht, which in turn made exports less competitive. The high interest rates also caused Thai consumers to be more spendthrift, which in turn shrank aggregate demand at home. That caused the economy in 1997 to grind to a virtual standstill. As the liquidity and asset problems of banks and corporations began to multiply, they turned to the Thai central bank for relief. But the central bank told the business and banking communities that there simply was not enough money to go around.

Cheap Foreign Money

The punishingly high interest rates made it a non-starter for Thai businessmen to borrow money at home in baht. That prompted increasing numbers of Thai borrowers to go overseas for cheap capital. Thai financial firms assumed it was perfectly safe to take out foreign loans for their business clients. The result was a flood of cheap foreign money that allowed banks to make foreign currency loans in U.S. dollars at interest rates far lower than loans in baht. In the two-year period from 1995 to 1996, foreign borrowing by Thai financial firms almost doubled.[8] By 1996 Thai companies and individuals had piled up huge U.S. dollar debts. In fact, by 1996 they owed more than US$70 billion. That figure amounted to half the country's gross domestic product (GDP). This huge capital inflow covered the current account deficit in the Thai balance of payments. But was the problem solved? Not exactly. On the surface, all was well. But not all capital inflows are the same. Had Thailand been receiving a lot of foreign direct investment, this relatively "permanent" money would have contributed to financial stability. Instead, Thailand was using a dangerously high percentage of short-term capital, or "hot money", to cover its current account deficit.

If financial stability had been a Thai goal, such "hot money" flows were certainly not a dependable way to achieve it. Consequently, the investment-rating agency Moody's downgraded Thailand's short-term debt rating. Moody's correctly argued that this over-reliance on

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volatile, footloose money made Thailand increasingly vulnerable to a Mexican-style financial shock. The IMF told Bangkok much the same thing. Bangkok ignored the warnings.

Over-capacity

Before long, the Thai economy became addicted to cheap foreign currency. The huge capital inflows left Thai banks awash in cash. The banks asked themselves, "What should be done with all this money?" They turned around and lent too much of this huge pool of excessive liquidity to politically well-connected businessmen for hare-brained schemes. Using this cheap money borrowed overseas, Thai companies over-invested in redundant manufacturing plants. The private sector, used to growing simply by investing, gave little or no thought to the actual demand for this new capacity. In fact, other Asian governments were already struggling with a serious problem of excess manufacturing capacity. And yet, Thailand kept building more factories. The country became burdened with a surplus of virtually idle steel mills and petrochemical plants.

Worst of all, Thai residential property companies kept sinking money into too much land and property it could not sell. As a result of this reckless speculation, a huge property glut developed, with one unoccupied high rise condominium after another dotting the landscape. Nearly twelve years of residential property inventory sits empty. In Bangkok alone, 250,000 houses and apartments are lying empty. As one observer put it, "The Thais love to invest in bricks and mortar".

Meanwhile, construction continued at a furious pace with the blind assumption that falling asset values would somehow go up despite ample evidence to the contrary. In the words of one Thai banker, "I have often been impressed by my fellow Thai investors' insistence on their right to lose money".

The Financial Crisis

Revelations that several Thai finance companies were over-exposed to the foreign-financed property glut triggered a speculative attack on the baht in early February 1997. By March, Bangkok was facing the most serious financial crisis in Thai history. To overcome the acute liquidity crisis, Bangkok tried a few ad hoc measures to defend the baht. But by the middle of May, currency traders resumed their onslaught.

In response to the May attack on the baht, Bangkok tried to shore up the financial sector through bank mergers. But it did not make sense for ailing banks to drag down relatively healthy ones. This became

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increasingly apparent when a well publicized attempt for a merger involving Finance One collapsed. By the end of June 1997, about 12 per cent of bank loans and 20 per cent of finance company loans were non-performing, involving a total of about 1 trillion baht or 20 per cent of GDP. By the end of May, finance companies had liabilities of 1.39 trillion baht, outstanding foreign loans worth 111 billion baht, and outstanding promissory notes worth 912 billion baht.[9]

Blind Optimism

Despite optimism in Bangkok that things would get better, the economic data continued to paint a negative picture. The grim facts included a slow-down in Thai exports and GDP growth, and a sharp fall in the stock market. Then in early May, budget data for the first half of fiscal 1996/1997 revealed a serious deficit of almost 54 billion baht. The government kept reacting to the bad budget news with one anaemic budget cut after another.

Meanwhile, Bangkok's credibility was further undermined by yet more incoherent economic policy-making. Prime Minister Chavalit Yongchaiyudh was a traditional Thai politician incapable of tackling tough issues or managing the economic crisis. Chavalit has a talent for political manoeuvre but no economic vision of his own. As a result, the Finance Ministry, the Bank of Thailand and two sets of economic advisers reportedly fought among themselves while vying for Chavalit's ear.

On 19 June, Finance Minister Amnuay Virawan, totally frustrated with the inadequate response of Thai politicians to the financial turmoil, resigned from his position. After the announcement, the Thai stock market fell to an eight-year low of 465. The appointment the next day of Thanong Bidaya as Amnuay's successor and Thailand's fifth Finance Minister in two years brought only a short-lived revival of confidence in financial markets. But a few days later, more economic bad news was released. The data showed that unexpectedly high imports had caused the current account deficit to balloon. With a shortfall of capital inflows, Bangkok had to use US$4 billion of foreign reserves between the end of April and the end of May to cover a balance of payments deficit.

On 2 July, after spending billions of dollars trying in vain to maintain the baht at around 25 baht to the U.S. dollar (where it had stood for more than a decade), Bangkok announced a managed float, thus abandoning the peg to the dollar. Unfortunately, Bangkok offered the markets no coherent economic strategy to accompany the so-called managed float. By early September, the baht went into a nose-dive,

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dropping to the 38 baht to the U.S. dollar threshold, or a fall of 32 per cent against the dollar since July.

With no credible way to plug the hole in its balance of payments or to finance more rescue schemes, Bangkok was forced to look for outside assistance. In early August, the Thai Government accepted IMF conditions for a US$17.2 billion financial package.[10] The IMF programme includes about US$6.5 billion from the IMF and other multilateral institutions (the World Bank and the Asian Development Bank), and the rest from countries in the region,[11] several of which were already struggling with their own currency crises.

The major part of the IMF programme money is to be used only for balance of payments support, to stabilize the balance of payments and maintain optimal reserves. None of the money is to be used to rescue distressed Thai finance firms. The Bank of Thailand bowed to pressure from the IMF to abandon its previous policy of rescuing ailing finance companies.

The IMF has made it clear to Bangkok that aid to the struggling financial sector will no longer be open-ended as in the past. From now on, any rescues must be funded out of a budget surplus. And that means balancing the budget will have a higher priority than recapitalizing failed banks and finance companies. The increase in value-added tax (VAT) and budget cutbacks are intended to bring the budget back into balance in 1997–98.

Overall, the IMF package undoubtedly contains some tough and impressive items. But given the magnitude of the problem, it lacks credibility. It is simply inadequate to deal with the scale of the ongoing crisis. And the currency market reflects that grim reality. Since the end of 1996, reserves have fallen almost US$10 billion (from US$37.7 billion to US$27.9 billion as of 14 August 1997). On 21 August, Bangkok revealed that the central bank had some US$23.4 billion in forward contracts with foreign and Thai investors that it had taken out to defend the baht and that would become due in the following twelve months. In addition, the current account deficit is projected to be at least US$10 billion a year.

With capital inflows in doubt and nearly US$40 billion in short-term loans coming due, it is easy to see that the forward contracts alone could eat up a large chunk of the US$17.2 billion IMF package. Of course, it is possible that Bangkok can convince some lenders to roll over some of the forward contracts. But there is no assurance this will happen. Meanwhile, none of the IMF money can be used to help the ailing Thai financial institutions. The main source of support for these finance houses will be a budget surplus of about 51 billion baht. This is a very small amount of money considering the fact that it

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took 500 billion baht to bail out banks and finance companies in 1997 and 180 billion baht to save the BBC in 1996. And that is just the tip of the iceberg. The cost of bailing out all the other finance houses looks even bleaker in the future. Standard and Poor's estimates that Bangkok might have to bear a total cost equivalent to 12–15 per cent of 1997 GDP in rescuing the finance houses. Of course, the war cry of many economists is to let these finance houses go bankrupt. To the free market advocates of "creative destruction", letting the finance houses go bankrupt seems like a logical approach.

The collapse of financial houses does, however, have other negative repercussions. While it is true that half their loans went into ill-advised property loans and consumption, the other half provided the essential function of funding small businesses. Gutting the finance houses means that many small- and medium-sized businesses will now have no access to funds. As these firms fail because of the liquidity squeeze, many bigger companies that depend on their businesses could fail as well.

Massive corporate bankruptcies will reduce revenue for the government, thus eliminating even the tiny budget surplus of 51 billion baht set aside to help the finance houses. It could well drive the budget into a significant deficit. And since many of the failing Thai businesses used to produce exports, the current account deficit is likely to be much higher than US$10 billion a year. That could rapidly deplete most of the US$17.2 billion in the IMF package and start depleting the US$25 billion reserves Bangkok is supposed to maintain. One whiff of this scenario would be enough to trigger a balance of payments crisis.

Similar doubts about the credibility of the IMF programme are widespread and have been amplified as the true scale of the ongoing Thai crisis began to be revealed. In fact, the perception that the IMF programme is inadequate continues to cause the baht to fall. At the time the baht floated, the exchange rate was 25.80 baht to the U.S. dollar. On 19 August, the day the Thai Cabinet approved the IMF deal, the baht fell to a new low of 32.70 baht to the U.S. dollar. On 21 August, the day the IMF approved the package, the baht hit another new low of 34.25 baht to the U.S. dollar. Then on 3 September, news that Standard and Poor's was downgrading Thailand's local and foreign currency debt ratings and that Finance One would not meet its interest payments caused the baht to fall another 7 per cent (from 35 baht to the U.S. dollar to 37.85 baht to the U.S. dollar).

An Inadequate Response

Meanwhile there have only been a few mildly encouraging signs that

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the Thai Government is trying to improve the situation. For instance, a new constitution was passed in September aimed at reducing money politics. In addition, in October Bangkok announced a package of measures aimed at plugging a few of the gaping holes in the financial sector. But these efforts do not even begin to address the fundamental problems in the Thai political economy. In fact, three months after the IMF's US$17.2 billion bail-out, Bangkok still had not produced a detailed recovery plan. Without it, the presently inadequate IMF rescue package might end up in shreds.

The inability of the Chavalit government to respond adequately to the severity of the crisis has understandably frustrated the Thai people. Throughout October, throngs of street demonstrators had called for Chavalit's resignation. On 3 November they got their wish. Embattled Prime Minister Chavalit announced he would resign after a stormy eleven months in office.[12] Chavalit's resignation followed shortly after the resignation of Thanong Bidaya, his second Finance Minister. A caretaker government will try to keep a lid on things until new elections are held. That will not be easy. With no end in sight to the financial melt-down, the political instability will likely continue.

Meanwhile, the financial turmoil in Thailand was quickly spreading to the other Asian "tigers". For instance, from early July, when the crisis began, until 28 August, the Malaysian ringgit depreciated against the U.S. dollar by more than 15 per cent to M$2.875. Similarly, since the stock market's high point back in February, Malaysian shares had lost more than M$300 billion (US$108 billion). This is more than double Malaysia's 1996 GDP.

Evil Speculators?

What was going on? Malaysian Prime Minister Mahathir Mohamad said that it was all very simple. He blamed everything on greedy speculators like George Soros.[13] "We have worked 30 to 40 years to develop our countries to this level but along comes a man with a few billion dollars, and in a period of two weeks has undone most of the work we have done."[14] Dr Mahathir also claimed that Soros attacked "tiger" currencies in reprisal for letting Myanmar (reportedly guilty of human rights violations) become a member of ASEAN. He concluded by saying that currency speculators should be treated like common criminals. But is it really that simple? Are Western devils the problem? Of course not. Dr Mahathir's explanation is not convincing to those who understand the currency crisis in the region. That does not mean that international factors are irrelevant. As cited earlier, weaker Japanese and Chinese currencies, and trade diverting NAFTA, seriously damaged the export

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prospects for "Asian tigers", which in turn widened the current account deficits of most of these countries.

One obvious way to strengthen a falling Malaysian ringgit, for instance, would have been to raise interest rates. Instead, Malaysia kept interest rates low, which predictably weakened the currency. It is hard to blame that mistake on foreign speculators.

The situation in Malaysia jolted investor confidence throughout the region, with stock markets in the Philippines, Thailand and Singapore plunging to lows not seen in several years. Although Malaysia's problems are less severe than those of neighbouring Thailand, they share a similar genesis and ill-fated policy development. Malaysia's export-led growth in the late 1980s led to a construction boom. That boom stemmed from a conscious decision to emphasize rapid growth over financial stability. Of course, it took awhile for the day of reckoning to arrive. For nine years, this national economic strategy produced impressive annual economic growth of 8 per cent. Symbols of this growth are visible for all to see if one travels around Malaysia. Kuala Lumpur boasts the Petronas twin towers, the world's tallest building. Just outside Kuala Lumpur, one of the world's most advanced airports is nearing completion. And everywhere you go, you see the Proton, the national car, on the clogged streets of Malaysia.

Moreover, Malaysia's list of extravagant future projects seems never ending. These include a multi-billion dollar project to lay a road over peninsular Malaysia's mountainous spine; a project to reclaim six islands off the sparsely populated northwest coast and build an international airport on one of them, costing M$30 billion; and the multimedia super information corridor in the twin cities of Putra Jaya and Cyberjaya. The mega-project will cost M$35 billion to build. Other budget busters include plans to build the longest bridge in the world linking Malaysia to the Indonesian island of Sumatra; a M$13.6 billion Bakun dam in the remote jungles of Borneo, as well as a new administrative capital for the state of Sarawak in Borneo.[15]

In the past, the construction boom was sustained by bank lending to property rather than to manufacturing. Now export growth is sputtering just as an impending property glut threatens to drive values down and increase the mountain of non-performing loans that are hitting the banking sector. Banks are saddled with a level of domestic indebtedness that amounts to a staggering 170 per cent of GDP. In short, the day of reckoning for all of this overborrowing has arrived. These large infrastructure projects require heavy imports, which keeps driving the current account deficit higher and higher. The problem is: how do you keep financing all these mega projects in a credit crunch?

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Kuala Lumpur's response to the crisis continues to be inadequate. The latest blow to investor hopes was the release of the 17 October budget. There were no significant cuts in infrastructure spending and no coherent strategy to reduce the current account deficit.

Indonesia Weathers First Storm

Indonesia was initially spared the worst of the currency turmoil because of its exemplary macroeconomic policies and performance.[16] For awhile, it boasted strong economic growth, a balanced budget and a sensible monetary policy. Most importantly, Indonesia started as early as 1995 to widen the fluctuation bands for the rupiah against the U.S. dollar. That allowed a gradual depreciation of the rupiah (by some 4–5 per cent per year) to take place, which in turn served as a market-based shock absorber to prevent the emergence of serious exchange rate distortions.[17]

These responsible economic policies produced an impressive overall macroeconomic performance. In addition, its current account deficit was not worrisome since most of it was covered by long-term investment rather than "hot money".[18] Jakarta also enjoyed a comfortable cushion of US$20 billion in foreign exchange reserves. And instead of squandering these reserves in an attempt to defend the rupiah, it kept its interest rates high in order to fortify the rupiah. The fortunes of the stock market have mirrored those of the rupiah.

All of this boosted investor confidence and enabled the rupiah to weather the initial storm. In the days after the floatation of the baht, while the peso and the ringgit were confronted with intense speculative pressure, the rupiah remained largely unaffected and continued to trade within the official 8 per cent band set by Bank Indonesia (the central bank). On 11 July, in a pre-emptive measure designed to undermine whatever speculative pressure there was, the band was widened to 12 per cent. The high level of public confidence in the initial phase of the currency crisis was reflected in the continued strengthening of the market until 8 July, when the stock index peaked at 740.

Phase Two of the Crisis

In short, all was well in Indonesia. Or was it? By the second half of July and early August, following the fall of the baht, the ringgit and the peso, the initial confidence that investors had in the rupiah began to wane. When a new wave of currency attacks hit the Asian market on 21 July, the rupiah dropped to 2,510 rupiah to the U.S. dollar, which was perilously close to the lower end of the 12 per cent intervention band.

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The 6 per cent nose-dive was the biggest one day fall for the rupiah in five years. From this point onwards, as the pressure on the rupiah mounted and public confidence in the government's ability to defend it waned, the Indonesian stock market also began to fall.

Why the attack on the rupiah? Some analysts in Jakarta attributed the run on the rupiah to "regional contagion". Indonesian officials argued that the rupiah really was not overvalued. It was merely "guilty by association". Other Indonesian officials thought currency traders selling rupiah were probably making one of two calculations: Indonesian exports would suffer from a strong rupiah following the depreciation of other currencies in the region, or Jakarta would lack the resolve to hold the exchange rate.

This kind of thinking in Jakarta marginalized the significance of the currency trading. Most of all, their macroeconomic virtue in the past blinded Indonesian officials to the possibility that there could be anything fundamentally wrong with other key elements of the economy. This blind spot would soon come back to haunt them. In any event, the initial 21 July attack on the rupiah triggered a sustained stock market fall during the first two weeks of August. To curb a possible stock market melt-down, Bank Indonesia (BI) cut some interest rates by 50 basis points on 8 August. This triggered a renewed currency attack on the rupiah on 13 August. The rupiah was shoved below the 2,682 rupiah to the U.S. dollar floor of the intervention band. For awhile BI was successful in lifting the rupiah up into the currency band by raising interest rates by 100 basis points and selling an estimated US$200 million to US$500 million of its foreign reserves. But it soon became clear that BI would have to spend more and more foreign reserves and boost interest rates even higher to fend off the attack.

Currency traders ultimately doubted the resolve of BI to keep interest rates high for long since this course of action could unleash a banking crisis and generate a rash of corporate bankruptcies. That left BI little choice but to abandon the currency band and let the rupiah float freely. BI's action triggered an immediate drop in the currency's value by some 5 per cent to 2,770 rupiah to the U.S. dollar and a further depreciation of the currency to 2,830 rupiah to the U.S. dollar by the day's end. The currency crisis also provoked a fall in the stock market. Stocks fell from the 720-point mark in early July to below the 600 threshold by 20 August.

If the rupiah fell to 3,000 to the U.S. dollar, earnings growth in the non-banking sector would drop to zero. Bankers were fearful that a continuous rupiah fall of this nature could easily bring down one or more of the large conglomerates. This could also drag down other big business groups because of extensive cross-ownership. Of course, the

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rupiah has long since fallen below this 3,000 figure. Since the rupiah began its decline, it has lost roughly 30 per cent of its value and was near 3,600 rupiah to the U.S. dollar on 27 October. And this grim reality has brought one conglomerate after another perilously close to bankruptcy.

Why Did the Rupiah Fall?

A rupiah nose-dive of this nature could no longer be attributed to regional contagion or competitive devaluation. The real reason for rupiah vulnerability can be traced to severe microeconomic vulnerabilities in Indonesia.

By the middle of July, currency traders had totally lost confidence in the rupiah when they spotted Indonesian corporations frantically selling rupiah and buying U.S. dollars. Currency traders soon learned the open secret that Indonesian conglomerates had been hiding their real financial condition and were actually much deeper in debt than anyone imagined. While the soft official figure for Indonesia's private foreign debt was US$56 billion, financial market analysts argued that the real figure had to be closer to US$100 billion.[19]

The primitive nature of Bank Indonesia's oversight and information about the private foreign debt problem was evident when Soedradjat Djiwandono, the Governor of Bank Indonesia, invited sixty Indonesian blue-chip company executives to his inner sanctum.[20] He suspected that each of their companies had at least US$100 million in offshore debt, much of it unreported on their balance sheets. But he was not entirely sure. So the governor gave them each a blank form asking them to report their debts. From a foreign investor standpoint, it is difficult to know what is worse: that Indonesia's companies may have billions in hidden hard-currency debt they cannot repay, given the collapse of the rupiah; or that the Governor of the central bank is clueless and reduced to handing out blank forms to find out what is really going on. Either way, the tale illustrates the severity of the crisis.

Needless to say, such poor disclosure added to the evaporation of investor confidence in Indonesia. The problem is that Bank Indonesia, the only source of statistics on the economy, lacks the regulatory teeth to force well-connected banks to disclose details of their offshore loans. That is why Standard & Poor's and Moody's Investors Service, citing fears of undisclosed debt, decided to downgrade ratings for large Indonesian banks, including Bank Negara Indonesia.[21]

But it was not just uncertainty about the size of the private foreign debt that troubled currency and stock traders. It was also the nature of that debt that worried everyone. Indonesian corporations were grossly

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mismanaging their overseas borrowing. For instance, Indonesian firms used shaky property as collateral even though the underlying value of the real estate assets was actually a small fraction of the alleged value at a time of severe property glut.

Worst of all, much of this private debt was unhedged in the sense that Indonesian companies failed to protect themselves against a possible fall in the rupiah's exchange rate.[22] Instead of locking in strong rupiah rates in their contracts before the currency crisis, they naively gambled on the rupiah remaining stable. Now that the rupiah has fallen against the U.S. dollar, their unhedged dollar-denominated loans cost up to 34 per cent more to service in rupiah terms.

In a survey by ABN Amro Hoare of twenty-nine large companies, only three had fully hedged their loans.[23] Indofood was a case in point. This company recently revised its net profit forecast from Rp500 billion (US$137 million) down to zero or negative. It acknowledged that less than 15 per cent of its US$1 billion debt had been hedged.[24] Worse still, somewhere between one-third and one-half of the growing mountain of foreign debt is now short-term and thus due for repayment in the next twelve months. Once Indonesian corporations learned the errors of their ways and that a much more expensive debt had to be paid in a matter of months, they hit the panic button. They started frantically to sell rupiah, thus weakening the rupiah even more. And the further the rupiah fell, the harder it became to service the debt in terms of rupiah.

A No-Win Monetary Policy

BI is now in a no-win situation with regard to monetary policy. In order to keep foreign corporate debt relatively affordable to pay back, it must keep the rupiah as strong as possible. That would normally mean keeping interest rates high to defend the rupiah. And so, on the one hand, BI is justifiably concerned that the rupiah would be severely hit by forward market selling once it indicates a willingness to lower interest rates. On the other hand, the BI is also under severe domestic pressure to cut its high short-term interest rates because of threatened bank collapses.[25] Otherwise the high rates could trigger corporate defaults on loans which, in turn, could lead to a collapse of the banking sector. This puts BI in a "damned if you do, damned if you don't" situation, at least when it comes to dovetailing monetary and foreign exchange rate policies.

Fiscal Policy to the Rescue?

Does this mean that everything is hopeless? Not exactly. One painfully

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difficult but possible way out of monetary policy paralysis is to focus on the fiscal side of the equation. BI can eventually lower interest rates while keeping the rupiah relatively strong if President Soeharto were willing to drastically tighten fiscal policy. That would ease the credit crunch once the government stopped hogging so much of the dwindling pool of national savings. But in the alarming Indonesian financial context, tightening fiscal policy does not mean simply balancing the current budget. It means scrapping all sorts of unnecessary spending programmes.

The overborrowing required for extravagant government spending on all sorts of white-elephant projects unnecessarily drives up interest rates for worthwhile private sector borrowing. In addition, government mega-projects require expensive imports. These imports involve selling even more rupiah and buying U.S. dollars (or other foreign exchange), thus further weakening the rupiah.

One such white-elephant project is the national car programme. The car programme is slated to receive US$690 million in loans from a consortium of Indonesian banks to start assembling cars. But the plan is unlikely to turn a profit in order to repay the debt. Similarly, the government may be asked to shoulder US$400 million in losses at Chandra Asri, a petrochemical plant.

The Indonesian Government now owes roughly US$50 billion to foreign creditors. This figure was never enough to worry foreign investors until recently. But because of the fall of the rupiah, this government debt is now worth 34 per cent more in terms of rupiah. This figure plus the huge amount of unhedged, short-term private debt justifiably alarms foreign investors.

Their great fear is that the Indonesian Government as well as private borrowers will find it impossible to repay the debt and have to default. This genuine investor fear of default has destroyed investor confidence in the Indonesian market. Consequently, investors as well as Indonesian corporations have begun to frantically sell rupiah and buy U.S. dollars, thus depressing the value of the rupiah. Similarly, the stock market fell almost 30 per cent (from 700 to 515 points) between June and 6 October.

Jakarta's Response

Instead of biting the bullet and sharply tightening fiscal policy, Jakarta's response to the rupiah crisis was initially to resort to currency controls, which predictably backfired. In an attempt to decrease the demand for U.S. dollars and strengthen the rupiah, BI announced on 31 August that there was now a US$5 million limit on lending to any

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one non-resident customer for foreign market transactions.[26] A foreign investor backlash quickly developed against the new limits. Indonesia's forward foreign exchange market promptly dried up. Instead of causing the rupiah to rise, it fell from 2,860 rupiah to the U.S. dollar to 2,960 rupiah. Stocks also lost 1.5 per cent of their overall value.

The new rule only served to generate nervousness about investment in Indonesia. People were confused about exactly what lending was permitted and unsure about how a bank's overall exposure to foreign lending was to be calculated. In a climate where confidence in the Indonesian market was in short supply, the thrust of the new curbs only made a bad situation worse by indicating a significant reversal from Indonesia's commitment to an open capital market.[27]

To reassure foreign investors who were unsettled by the currency controls debacle, Indonesia announced new economic reforms on 3 September. While most of the so-called reforms were merely promises to cut spending and address the banking turmoil, the government statement that it would lift a 49 per cent cap on foreign purchases of new initial public offerings was a positive signal to investors.[28] The stock market rose 6 per cent in response to the announcement.

The positive stock market response reflected Jakarta's relatively level-headed approach to the country's problems. It was also couched in market-friendly language. In a speech to Parliament two weeks later, Indonesia's Finance Minister Mar'ie Muhammad announced the first details of the government's plan for budget cuts and banking reforms. He pledged to cut spending and delay some large infrastructure projects and "review" others in order to soften the impact of rupiah depreciation on its current account and foreign debt. The thrust of the Finance Minister's statement to Parliament was positive. But the speech raised as many questions as it answered. First, could the Soeharto government actually deliver on its plan? Would it be able to get the political backing to implement them? What would be the political impact of the budget cuts? Even if the budget cuts were put into place, would postponing a few projects and "reviewing" other projects be dramatic enough to ease liquidity and allow BI to decisively cut interest rates? Interest rates had come down slowly but were still a punishingly high 20 per cent, or still more than double the size before the currency crisis erupted three months earlier. A number of leading Indonesian companies could not survive much longer unless rates were lowered quickly. And if BI dropped interest rates, could Jakarta maintain some semblance of rupiah strength?

By the last week of September, some of the answers to these questions became more apparent. There were a few mildly encouraging signs. For instance, President Soeharto did suspend a number of projects.

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But investors reacted negatively to the US$22 billion worth of large projects he kept in the budget. At a time of financial turmoil, this kind of government profligacy would make it difficult for BI to ease monetary policy without weakening the rupiah still further. And yet BI chose the occasion to do just that and lowered interest rates by 200 basis points.[29]

Sure enough, the rupiah's value plummeted from about 3,019 rupiah to the U.S. dollar on 25 September (the day of Soeharto's announcement, and interest rates were cut) to about 3,850 rupiah to the U.S. dollar by late September.[30] Since August, the rupiah had suffered a 34 per cent decline. Similarly, over the same period of time the Indonesian stock exchange index had lost 30 per cent of its value.

Thus, President Soeharto's budget cuts were not radical enough and the interest rate cuts were premature, given the financial chaos and the stated goal of currency and stock market stability. By the first week of October, it was painfully obvious to Jakarta that investor confidence had collapsed once more. At this rate, it became problematic whether Indonesia could meet the billions of U.S. dollars in short-term debt obligations without rapidly depleting its once ample pool of foreign reserves.

Jakarta Approaches the IMF

If Indonesia hoped to restore confidence in its embattled currency and stock markets, it now had no choice. Like Thailand, the Indonesian Government was forced to approach the IMF and the World Bank on 8 October for financial help.[31]

Between 17 October and 27 October, the financial turbulence in Indonesia spread to Hong Kong and caused a 33 per cent melt-down in the Hang Seng stock index. Then on Wall Street on 27 October, the Dow Jones stock index dropped 554 points, the biggest one-day point fall in history. Almost everyone agreed that the melt-down in Indonesia and the rest of Southeast Asia were responsible for most of the trauma in global finance.

Regardless of who was at fault for the financial turmoil in Indonesia, it was now difficult to make the case that it had no impact on the rest of the world. Perhaps U.S. Treasury Secretary Robert Rubin said it best: "Financial security round the world is critical to the national security and economic interests of the US."[32] Henceforth, the debate after the stock market crash in Hong Kong was no longer whether to rescue Indonesia. The two burning questions on everyone's mind were:

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1. How big should the rescue package be? and
2. How tough should the IMF conditions be?

In his initial dealings with the IMF, World Bank and Asian Development Bank officials, President Soeharto reportedly wanted only advice and a relatively modest US$4 billion credit facility without tough conditions. Soeharto felt that this "soft conditions, modest money" package would be enough to restore investor confidence in Indonesia. He also thought that he could get the IMF to agree to it because Indonesia's solid macroeconomic record had always made it the "teachers' favourite" in the IMF class.

But the global financial turmoil was a loud wake-up call to the IMF that a modest money/soft conditions package would not even come close to calming investor jitters. The IMF was also well aware that investors felt that their US$17.2 billion rescue plan in Thailand was inadequate to deal with the size of the financial mess. Thus, any financial package for Indonesia had to be big enough to ward off the risk of a global contagion, that is, keeping the financial instability in Southeast Asia from spreading to one global stock market to another.

Given the global financial volatility, it was not a surprise when, on 31 October, the IMF announced a large US$23 billion rescue package for Indonesia.[33] The three-year package, including a US$10 billion loan from the IMF, US$4.5 billion from the World Bank, and US$3.5 billion from the Asian Development Bank, is the biggest international financial rescue plan since the US$50 billion bail-out of Mexico in 1995.

Michel Camdessus, the IMF's managing director, stated that the overall thrust of the programme was to "transform the risk of a crisis into an opportunity to address underlying problems". He hopes to do this with a three-part programme. The first part of the programme is intended to help Jakarta develop a macroeconomic strategy which will restore confidence to Indonesia's financial markets. The second part involves restructuring Indonesia's financial sector, with measures to make sure it remains sound. The last part of the programme addresses deregulation and trade reforms. The goal is to create more transparency and openness and improve the governance framework and the business climate.

If one looks at the details of the plan, there are some mildly encouraging items. For instance, the Indonesian Government said that it would reduce some import tariffs, end tax breaks for locally produced cars, and rein in trading monopolies for staple foodstuffs. It also promised to gradually reduce export tariffs. In particular, Jakarta announced that imports of wheat, soy beans, and garlic would be freed from a monopolistic import licensing system that had boosted domestic prices.

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In addition, the Soeharto government set some demanding economic goals for itself. For instance, it pledged to cut spending to ensure a balanced budget and reduce the current account deficit to below 3 per cent of gross domestic product over the next two years. It plans to increase savings and improve tax collection to achieve a balanced budget for 1997. It also hopes to reach a budget surplus of 1 per cent of GDP in the next fiscal year, despite the impact of the rupiah's depreciation on debt payments and fuel imports.

But how will these goals be achieved? Jakarta has not provided a concomitant national economic strategy that would convince investors that it knows how to reach these lofty goals. Without a clear strategy, for instance, teetering Indonesian businesses have no sense of whether liquidity will ease enough for them to borrow money at lower interest rates.

In addition, the programme has many vague elements, which means that a lot of money could disappear. The vagueness about bank reform in the midst of the ongoing financial turmoil is particularly worrisome to investors. Without clear guidance, money could be wasted propping up badly managed banks. The three-year timetable is also a leisurely pace at a time of policy urgency. It worries investors when it appears that Jakarta can take its time in implementing the reforms.

Meanwhile, Indonesia's neighbours (Singapore, Malaysia, Japan and Australia) have offered an additional US$11 billion financial rescue package to Jakarta. All these countries trade heavily with Indonesia and have long-term investments that they understandably want protected. The good news is that Indonesia has more than enough money to help put its economic house in order if it chooses to spend the money wisely.

The bad news is that President Soeharto has told the IMF and the World Bank that the Asian package offers softer conditions than the IMF/World Bank package. As one Western broker puts it, "the bilateral aid pledges" certainly make the talks (with the IMF) more difficult. I think (Indonesian officials) are using them as leverage to reduce the conditions of the IMF".[34] In short, the additional Asian money ironically increases the risk that the IMF money could end up in a black hole.

The Political Challenge

For the IMF plan to be successful, therefore, President Soeharto would somehow have to accept tough conditions. For instance, the government would have to address the root causes of the microeconomic problems. This means reforming a weak banking sector. It would

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require radical reform of central bank supervision of commercial banks. In addition, widespread cronyism in the corporate sector must be tackled. This means stricter rules to ensure transparency of government contracts and curbs on state and private monopolies.

Jakarta must also think long and hard about its monetary policy. Some people say that the central bank should lower interest rates and not worry about higher corporate debt servicing if the rupiah falls. A "greater national interest would flow from a weaker rupiah that would give Indonesian exports a competitive price advantage". That argument is negated by the high import content of many of Indonesia's manufactured imports. Letting interest rates and the rupiah both fall would threaten the country's macroeconomic stability because the increase in the rupiah prices of imported goods would boost inflationary pressure.

On the other hand, any attempt to restrain these inflationary pressures through higher interest rates would inevitably lead to slower growth and quite possibly a recession. Thus, the BI has the difficult task of finding the right mix of policies aimed at achieving an optimal balance between the twin objectives of financial stability and economic growth.

All this leaves President Soeharto perplexed. In the past, the success of his 32-year regime had depended on delivering solid economic growth. For years, 7 per cent economic growth had been more than enough to outpace population growth in the fourth most populous country in the world. This economic success story had also been enough to fend off any political challenge to his rule. But the day of reckoning for all the years of rapid growth and overborrowing for white elephants has arrived. Financial turmoil has engulfed the country. Economic growth of 7 per cent a year is long gone. It is unlikely that economic growth will reach 5 per cent. It could easily be much worse. And even 5 per cent economic growth would have a devastating impact on job creation.

The IMF is telling President Soeharto that he must abandon the mega-projects and make other radical cuts in the budget if he wants to restore financial stability to the country. Of course, the sharp fall of the rupiah also makes tightening Indonesian fiscal policy more difficult than in the past. This is because many of the government budget items are also imports, which now cost 34 per cent more.

Without radical budget cuts, the budget deficit will balloon, which in turn would make it impossible to lower interest rates without sending the rupiah on another nose-dive. In this regard, Finance Minister Mar'ie Muhammad recently said that the government would face a budget deficit of 9,200 rupiah (US$2.50 billion) by March 1998 unless it made big spending cuts.[35] But where should the cuts be made? Senior

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officials of the ruling Golkar Party have reported that Soeharto's ministers have quarrelled over which of their pet projects would get the axe if the IMF pushes for cuts in state spending. Tension has reached such levels that Research and Technology Minister B.J. Habibie, long a Soeharto protégé, is under pressure. His fellow ministers reportedly shouted him down in front of Soeharto at a 10 October Cabinet meeting for insisting that his projects be spared any cuts. Habibie's airplane factory and shipyard have lost billions of U.S. dollars.[36]

The World Bank has recommended that Indonesia lift subsidies on imported fuels such as diesel and kerosene. According to Bagus Sudjana, Mines and Energy Minister, the currency crisis raised the cost of subsidies on imported fuels to 3,000 billion rupiah, nearly a third more than budgeted for the whole financial year. Thus, if these subsidies are cut budget savings could be substantial. The problem is that reducing the subsidy is good macroeconomics but bad politics, at least in the short run for President Soeharto. This is because 60 per cent of rural households rely on kerosene for energy and lighting and many of them are poor people who would immediately be hurt by such a subsidy cut. The same political backlash occurs whenever the government tries to cut food subsidies. Sharp increases in basic food prices also hurt the poor in the short run.[37] In fact, angry students in Jakarta recently demonstrated outside Bulog — the state monopoly that regulates food prices — demanding the resignation of its director and a price freeze on staple foods.

Despite all the financial hysteria, the turmoil during July and August did not immediately filter down to the man on the Jakarta street. For awhile the financial setbacks were mainly felt in corporate boardrooms in high-rise towers above Jakarta. This is largely because only half a million Indonesians — out of a population of 200 million — own shares in the stock market. But things are changing fast. The man on the Jakarta street now feels the pain. Even if the government does nothing to reduce the ever growing budget deficit, Indonesian society at large has already begun to feel some of the inflationary effects of the falling rupiah. Work stoppages have taken place because factory owners no longer know how to calculate their cost and fail to pay wages. This has caused workers to be laid off. In short, inflationary pressure from a falling rupiah is beginning to put political pressure on President Soeharto.

Most experts say that Soeharto and his Golkar Party will maintain ample support in the Consultative Assembly which votes for a new President and Vice-President in the March 1998 elections despite the financial turmoil.[38] In addition, General Feisal Tanjung, Chief of the

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Armed Forces, has indicated that he is prepared to use military force to crack down on any opposition movement that disturbs the elections.

But while President Soeharto is likely to maintain his political power, the currency crisis has seriously undermined his moral authority. Well-run economies do not have to go to the IMF for embarrassing US$23 billion rescue packages. While a full-fledged popular uprising against Soeharto is unlikely, even limited unrest in response to the financial turmoil will be a strong and politically significant challenge to his legitimacy.

The irony is that Indonesian corporations — whose ineptness at hedging their foreign debt contributed in no small part to the financial turmoil — are beginning to hedge their bets and shield their assets from a possible post-Soeharto government. The Salim Group, Indonesia's largest conglomerate, moved control over US$1 billion worth of equity in a core subsidiary, Indofood Sukses Makmur, to a Singapore-listed company in July.[39] This kind of capital flight is not exactly a vote of confidence from business that President Soeharto will weather the storm.

Conclusion

For years the "Asian tigers" experienced extraordinary success in the global economy. They attributed much of that success to stable currencies that were linked to a weak U.S. dollar. That gave their booming exports a price advantage. Then things changed. The Japanese and the Chinese devalued their currencies. Since "tiger" currencies were linked to a rising U.S. dollar, "tiger" exports became much more expensive. This contributed to a slow-down in "tiger" exports in 1996 and a rising current account deficit.

Instead of taking action to correct this imbalance, "tiger" leaders rationalized that the deficit was investment rather than consumption driven and would make their exports more competitive in the future. But actually the so-called investment was unwisely spent on property which could not be exported in the future.

Structural fault-lines also account for the slow-down in export growth. Rising wages outpaced gains in productivity, which priced the "tigers" out of the traditional low-technology export markets. Education is also a problem. Too many "tiger" schools prefer training the memories of their students to regurgitate information rather than educating their minds to think creatively. When these same students graduate and enter the work-place, they lack the skills to move from copy-cat production to more innovative work in problem solving and knowledge-based production.

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Years of rote learning and blind obedience to authority have contributed to rigid mindsets and institutional rigidity. This makes constructive criticism, creative new ideas and dynamic change extraordinarily difficult. That was why most of the "tigers" generally clung to currency stability long after it became obvious to outsiders that it was hurting their economies.

In Thailand, for instance, interest rates were raised to maintain currency stability. High interest rates made it difficult to borrow in baht at home. Thai banks made it possible for Thai businessmen to borrow overseas in U.S. dollars at lower interest rates which resulted in a flood of capital inflow. As a result, Thai businessmen piled up huge U.S. dollar debts, much of which was short-term, "hot" money that could leave the country if foreign investors got jittery.

In addition, too much of this foreign money was spent building up an over-capacity in property, redundant manufacturing plants and wasteful white-elephant projects. Before long, bankers began to loan foreign money to reckless businessmen for hare-brained schemes and wild speculation. When it became clear that U.S. dollars were being wasted on foolish investments that could only result in non-performing loans or defaults, investors sold baht assets and bought U.S. dollars. This triggered a run on the baht and the currency crisis in Thailand.

When it became clear that other "tiger" countries were doing much the same thing as Thailand, the currency crisis in Thailand spread to other currencies in Southeast Asia. As "tiger" businessmen watched their currencies fall, their unhedged debt in U.S. dollars became more and more expensive to service. They panicked and frantically sold their currencies.

As the demand for U.S. dollars escalated, central bankers were afraid that they could no longer cover their massive current account deficits without depleting their foreign reserves. The result was a vicious spiral of falling currencies, collapsing stock prices, and growing fears of corporate bankruptcies and banking failures. Eventually Thailand and Indonesia were forced to approach the IMF and other lenders for financial support to weather the storm.

The job of the IMF and the other multilateral agencies is to help boost investor confidence. IMF money helps to stabilize the balance of payments and maintain optimal reserves. But the really difficult policy changes must still be implemented by Thailand and Indonesia. The IMF can and should have tough conditions for continued access to the money. But if Bangkok and Jakarta are unwilling to bite the bullet and implement the policy changes, the IMF cannot force them to make it happen.

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The changes that Thailand, Indonesia and Malaysia must make are extraordinarily difficult. To calm investor fears, they must all come up with credible national economic strategies. This means cutting out all white-elephant projects from the budget instead of "postponing" or "reviewing" them. A lean and mean budget will reduce costly and unnecessary imports, thereby reducing the size of the current account deficit and decreasing the size of the capital inflow needed to finance it.

This kind of tight fiscal policy will allow the central banks more elbow-room to lower interest rates without fear of another currency crisis. In fact, their currencies should get stronger once investors see a credible strategy in place and start repurchasing their financial assets again. Stronger Asian currencies will make it cheaper for Asian corporations to pay back their unhedged U.S. dollar loans. And lower interest rates at home will encourage businesses to borrow from the vast pool of national savings at home, thus making central bankers less vulnerable to a reversal in overseas "hot" money.

In addition to these changes in their macroeconomic strategies, "Asian tigers" must attack their microeconomic fault-lines. At the top of the list is bank reform. Commercial bank professionalism and supervision must be improved. This means better disclosure of private bank debt. It also means saying no to white-elephant projects and standing up to the political pressure from politicians. Some of this money freed from profligacious opportunity costs could be rechannelled into rural areas to educate students, and into the cities to retrain workers for up-market production.

None of this will be easy. So far, the "tiger" governments have shown a willingness to make piecemeal changes. But they have demonstrated an unwillingness to develop credible and coherent economic strategies that would attack the root causes of the financial crisis. Until these changes are made, investors will remain jittery about the region and financial turbulence will frustrate economic recovery and political stability.

NOTES

1. When the U.S. dollar rose *vis-à-vis* the Japanese yen in the mid-1990s, it also lifted the Southeast Asian real trade-weighted exchange rates by 5–8 per cent over a two-year period. I agree with the Wall Street traders who perceived the Asian currencies to be overvalued. That was why the currencies were attacked. On the other hand, some analysts take a more technical view and disagree with me and Wall Street traders that the Asian currencies were overvalued. For instance, Morris Goldstein

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argues that by most technical yardsticks, such as estimates of purchasing-power parities (PPPs, which equate the prices of a basket of goods and services in different countries), most Asian currencies were actually undervalued.

2. The Economist Intelligence Unit (EIU), *Country Report: Thailand*, 3rd Quarter 1997, p. 36.
3. Ill-advised investment spending on unnecessary capacity is especially dangerous if it is coupled with rapid monetary growth, which tends to inflate an asset-price bubble. Of course, when the bubble ultimately burst, it left Thai banks with huge bad loans on their books. Like Mexico in 1994, Thailand had too much money sloshing around in 1996 and 1997.
4. *Financial Times (FT)*, 29 August 1997.
5. For awhile, the Thai workers simply worked harder than everyone else. Hard work, low wages, weak currencies and substantial capital caused exports to surge. Then things changed. Thailand began to lose its wage and cost advantages in low-tech industries. At the same time, Thai productivity and technological innovation still lags far behind the advanced industrial nations. In fact, labour costs have risen about twice as fast as productivity. In retrospect, it is now clear that the Asian economic miracle was more a reflection of "perspiration, not inspiration". See Paul Krugman, *Fortune On-line*, 18 August 1997.
6. See Leif Roderick Rosenberger, "The Cultural Challenge for a Concert of Asia", *Contemporary Southeast Asia* 18, no. 2 (September 1996).
7. Indonesia was an exception. It started as early as 1995 to widen the fluctuation bands for the rupiah against the U.S. dollar. This relative flexibility allowed a gradual depreciation of the rupiah (by some 4–5 per cent per year) to take place, which in turn helped to prevent the emergence of serious exchange rate distortions.
8. Discussions with officials at the Bank for International Settlements, September 1997.
9. EIU, *Country Report: Thailand*, 3rd Quarter 1997, p. 22.
10. The IMF programme for Thailand contains the following elements:
    - the reserves would be maintained at a minimum of US$23 billion in 1997 and US$25 billion in 1998, to provide import cover over three months;
    - monetary policy would be kept tight, not only to control inflation but also to stop the authorities printing money in vain attempts to rescue failing financial and property companies;
    - value-added tax (VAT) would rise from 7 to 10 per cent and there would be no subsidies to prevent utility rates from rising;
    - there would be cuts to fiscal spending of 100 billion baht to bring the 1997/98 budget back into balance;
    - the government would accept as targets the reduction of the current-account deficit to 5 per cent in 1997 and 3 per cent in 1998; the maintenance of GDP growth at 3–4 per cent; and the capping of year-end inflation at 9.5 per cent in 1997 and 5 per cent in 1998;
    - public-sector wage increases would be kept in line with inflation; and
    - state enterprises would maintain their overall financial balance by cutting back or rephrasing low-priority investments and seeking private-sector participation in infrastructure programmes.
11. The Bank of International Settlement offered to provide a bridging loan worth US$3.3 billion to tide Thailand over the period before the pledged funds were available.
12. *Indonesia Times (IT)*, 4 November 1997.
13. *FT*, 23 September 1997; and the *Economist*, 6 September 1997.

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14. *FT*, 28 July, 1997.
15. *FT*, 29 August 1997.
16. For good background reading on Indonesia, see Hal Hill, *The Indonesian Economy since 1996: Southeast Asia's Emerging Giant* (Melbourne: Cambridge University Press, 1996); Ross McLeod, ed, *Indonesia Assessment 1994: Finance as a Key Sector in Indonesia's Development (Singapore:* Institute of Southeast Asian Studies, 1995); and Adam Schwarz, A *Nation in Waiting. Indonesia in the 1990s* (St Leonards, New South Wales: Allen and Unwin, 1994).
17. See EIU, *Country Report: Indonesia*, 3rd Quarter, 1997.
18. About 80 per cent of Indonesia's current account is financed by direct foreign investment. See *FT*, 19 August 1997.
19. *FT*, 9 October 1997.
20. *Business Week International Edition (BWIE)*, 27 October 1997.
21. Ibid.
22. *FT*, 19 August 1997.
23. *FT*, 6 October 1997.
24. *FT*, 9 October 1997.
25. Short-term rates stood at 30 per cent in early September 1997.
26. *FT*, 2 September 1997.
27. Ibid.
28. *FT*, 4 September 1997.
29. *Indonesian Times* (IE), 26 September 97.
30. *FT*, 9 October 1997.
31. Ibid. and *BWIE*, 20 October 1997.
32. *FT*, 1 November 1997.
33. Ibid.
34. *FT*, 30 October 1997.
35. *FT*, 8 October 1997.
36. *BWIE*, 27 October 1997.
37. Of course, raising the price of food to its true market value in the short run would also create incentives for local producers to produce more food, thus increasing the food supply, reducing the price of food, and getting rid of food subsidies in the long run.
38. See *FT*, 8 October 1997.
39. *BWIE*, 27 October 1997.

Leif Roderick Rosenberger is Professor of Economics at the U.S. Army War College. He is spending his sabbatical year as a Visiting Scholar in the Economics Department at Harvard University.

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The ASEAN Regional Forum: Preparing for Preventive Diplomacy

SIMON S.C. TAY with OBOOD TALIB

The article considers how the ASEAN Regional Forum (ARF) should be prepared to exercise preventive diplomacy in order to maintain peace in the region, and the implications of such preparations for the evolution of the ARF as an institution. The key concepts and practices in preventive diplomacy are outlined to suggest how these match or clash with the norms of the ARF and the "ASEAN way". Will preventive diplomacy transgress the norm of non-interference? Does it require the development of greater and more autonomous institutions? The article suggests three key preparations the ARF must make for the practice of preventive diplomacy and reviews different proposals and possibilities for both norms and institutions.

In 1997, the ASEAN Regional Forum (ARF) agreed to move towards preventive diplomacy.[1] The agreement follows from the recognition of the ARF, quite early on, that, "[p]reventive diplomacy would be a natural follow-up to confidence-building measures".[2] This signals the intention of the institution to move beyond the "talk shop" that some critics have called it.

The ARF, now in its fourth year, is still a relatively new institution. It brings together twenty-one member states with very diverse political systems, military strength, economic development, and strategic outlooks.[3] ARF membership extends beyond the geography of Asia and the "geographical footprint" on which it focuses,[4] to include members such as Europe, Russia, the USA and Canada. It includes nations which have enjoyed relatively close co-operative links, such as

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the ASEAN members, and Japan and the USA, as well as other states which have or have recently had outstanding disputes between them. This diversity disables the possibility of a defence alliance. The ARF instead comes together within a framework of co-operative security, which emphasizes co-operation and peaceful coexistence, and not competition.

The concept of prevention promises to stop disputes from escalating into violent conflicts.[5] The premise of one form of prevention — preventive diplomacy — moreover, is that the counterweight of force or other coercive measures is not needed; that diplomatic measures will suffice. Preventive diplomacy, as such, is a tempting prescription. It promises to continue the peace. Yet it does not require the heavy resources of finance, manpower or political will or military or other forms of intervention — resources which the ARF does not have and perhaps cannot muster from among its diverse members.

No first steps have been announced for the ARF in moving towards preventive diplomacy. No changes seem likely in the immediate future. Indeed, the ARF ministers have emphasized that on-going confidence-building measures will continue in tandem with this new initiative. Future changes will, however, be necessary for the ARF to effectively undertake preventive diplomacy. Moving towards preventive diplomacy is therefore likely to shape the ARF as an institution and its practices. What can be expected?

This article will begin by briefly examining the concept and practices of preventive diplomacy. In the second part, it will consider how preventive diplomacy might sit with the current and emerging norms and institutions of the ARF. In so doing, it will review some suggestions that have emerged from the ARF at the "Track-2" level, and in the non-governmental Council for Security Co-operation in the Asia-Pacific (CSCAP),[6] and imagine how preventive diplomacy might be put into practice by the ARF. From this, some key steps forward for the ARF will be identified.

Preventive Diplomacy Defined

"Preventive diplomacy" was a term first coined by then United Nations Secretary-General Dag Hammarskjold in 1960.[7] It has a basis in international law and the United Nations' goal to "take effective collective measures for the prevention and removal of threats to peace".[8] In the Cold War context, the concept focused on efforts to keep local disputes from provoking wider involvement and confrontation between the two superpowers.

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In the post-Cold War period, the concept has evolved. "Preventive diplomacy" now means, "action to prevent disputes from arising between the parties, to prevent existing disputes from escalating into conflicts and to limit the spread of the latter when they occur".[9]

What is the nature of preventive diplomacy? The practice of preventive diplomacy relies on non-coercive diplomatic methods and much of the "peaceful means" described in Article 33 of the United Nations Charter. Acts that require military action or the use of force lie outside the scope of preventive diplomacy. The diplomatic and peaceful tools of preventive diplomacy would include negotiation, enquiry, mediation and conciliation. These are best employed at a relatively early stage of the dispute, before violence has resulted.

The practice of preventive diplomacy includes the offer of good offices by third parties to a potential conflict, and acts as simple as a telephone call during the onset of a crisis. They extend to fact-finding missions and mediation during the onset of a potential crisis. The critical elements of preventive diplomacy are timeliness and trust. Preventive diplomacy measures may be taken before a crisis has arisen, and/or during its onset.[10]

Pre-crisis preparations (also known as "early" preventive diplomacy) would include:

1. Confidence-building efforts: for example, transparency and information exchanges on military exercises and arms purchases.
2. Institution-building: for example, formal and informal institutions for consultation, exchange and interaction among personnel.
3. Norm-building: the idea that institutions and the relationships they build up are guided by accepted codes or norms of behaviour.
4. Early warning systems: monitoring of developments in political, military and other areas that may lead to the breach of peace or the need for humanitarian action (for example, build-up of military forces, natural disasters, mass movements of refugees, famine).

Preventive diplomacy measures at the onset of a crisis (also known as "late" preventive diplomacy) include:

1. Fact-finding: reliable collection and analysis of information on the potential conflict situation.
2. Goodwill missions: a visit by an envoy to express concern of the regional or international community.
3. Good offices of a third party, or mediation: a neutral third party facilitates negotiation between disputing parties or, in mediation, actively manages the crisis between the parties.

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The core meaning of "preventive diplomacy" is embedded in the term itself. The timing of the action is to be preventive, rather than curative. The actions are to be limited to diplomatic measures. In these terms, "preventive diplomacy" is conceptually separate from other preventive action, such as "preventive deployment", which involves military deployment, or "peace-making" and "peace-keeping", which are efforts made after violent conflict has already erupted.[11]

Some writers have suggested that what they term "preventive diplomacy" might include the threat or actual use of limited force, or other coercive measures.[12] The practice of the United Nations has also seemed to extend to the full range of preventive actions, without always observing where diplomatic measures give way to other actions, such as the preventive deployment of peace-keeping forces.[13] There is, as such, a variety of definitions, with considerable differences in the range of actions they mandate.

Therein lie the major questions that face the ARF, both as an institution and as regards its norms of co-operation. On what cases will preventive diplomacy be exercised? Who will authorize it? What practices of preventive diplomacy will be allowed? Who will undertake such practices?

ARF and the ASEAN Way

The exercise of preventive diplomacy can be decentralized to regional organizations.[14] The Organization for Security and Co-operation in Europe (OSCE) and the Organization of African Unity (OAU) have undertaken preventive diplomacy and other preventive actions among its members, with a mix of both success and failure.[15] A regional organization with sufficient will and resources can be effective in preventive diplomacy, and may be better placed to take action because of closer bonds and shared norms among its members. To what extent is it possible for the ARF to undertake preventive diplomacy?[16]

As noted, the ARF is a relatively new institution with a diverse membership. The existing mechanisms of the ARF revolve chiefly around an annual meeting among the foreign ministers of member states. This follows the ASEAN ministerial meeting, and is chaired by the ASEAN chairman for the year. The main outcome of the ARF ministerial meeting is not action, but a chairman's statement, adopted by consensus. Additionally, there are a number of inter-sessional meetings among senior officials, with a few ARF working groups discussing topics such as confidence-building and air and sea rescue.[17] The ARF is presently undertaking a series of confidence-building measures (CBMs). Some of these CBMs aim to improve transparency, through steps such

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as the publication of defence White Papers and the use of the United Nations Arms Register.

The ARF does not, however, have a separate secretariat at present, nor a secretary-general. It is presently more a forum, as its name indicates, than an institution with considerable staff and ongoing work between ministerial meetings. It has been recognized that the current levels of trust and confidence among ARF member-states need improvement.

The chairmanship by ASEAN member-states in rotation evinces the origins of the newer ARF, which grew out of sessions with ASEAN dialogue partners. ASEAN chairmanship also evinces the wish for the newer institution not to mimic other regional institutions and experiences but to pursue an "ASEAN way" in going forward.[18]

The "ASEAN way" is embodied in the Treaty of Amity and Co-operation (TAC), which provides the framework for the grouping. The TAC's principles generally reiterate norms already seen in U.N. declarations and other documents on friendly relations and co-operation between states. Over time, however, the ASEAN members have established norms, or a code of conduct. Bilateral relations between members are strengthened to accommodate national predilections. Consequently, sharper differences between member-states have been mitigated in favour of finding common positions on issues *vis-à-vis* larger groupings and associations.

In this sense, the "ASEAN way" may be said to emphasize certain norms and practices, especially:

- non-use of force in inter-state relations and peaceful settlement of disputes;
- non-interference by one member in the internal affairs of another;
- use of consultations and accommodation to emphasize "resilience" in ASEAN;
- the principle of consensus.

The TAC's principles have served as an initial step for establishing the region as a Zone of Peace, Freedom and Neutrality (ZOPFAN). In turn, this has led to the 1995 Treaty on the Southeast Asian Nuclear Weapons-Free Zone (SEANWFZ). Despite these international treaties, the "ASEAN way" is often said to de-emphasize legalistic approaches to differences and disputes, in favour of discussion towards a consensus that is acceptable to all.

Some commentators see ASEAN as representing an original and authentic regional vehicle for preventive diplomacy in the Asia-Pacific region. Its role in the 1991 Paris Peace Accords on Cambodia is widely acknowledged. The grouping has also helped to manage conflict among

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its members, notably in the dispute between the Philippines and Malaysia over Sabah.[19] A current "Track-2" initiative in ASEAN seeks to prevent conflict in the South China Sea over the Spratlys and other islands. Outstanding territorial disputes among members have recently been referred to the International Court of Justice, buttressing the norm of preferring settlement of dispute by peaceful means.

Despite these achievements, it remains questionable if the "ASEAN way" can be effectively adopted in larger and more diverse new institutions such as the ARF. This is especially with regard to the practice of preventive diplomacy. These doubts arise from two sources. First is the ASEAN norm against interference in the internal affairs of another member. Second is the grouping's caution against elaborate, fixed institutions and rigid rule-based procedures. It may seem to some that the line between preventive diplomacy and "interference" may often be vague. Additionally, the practice of preventive diplomacy may require a greater degree of institutionalization for the ARF.

How can preventive diplomacy develop in the ARF? To what degree will ASEAN norms against interference in internal affairs, or its preference for informal and non-legalistic methods, allow for the effective exercise of preventive diplomacy?

The ARF Concept Paper produced by ASEAN (Annexes A and B)[20] makes some suggestions on how preventive diplomacy can be instituted. These include:

1. Developing a set of guidelines for the peaceful settlement of disputes, taking into account the principles of the United Nations Charter and the Treaty of Amity and Co-operation;
2. Seeking the endorsement by other countries of the ASEAN Declaration on the South China Sea;
3. Exploring ways of preventing conflict, including the appointment of special representatives to undertake fact-finding missions, at the request of the parties involved, and offer their good offices; and
4. Exploring the idea of establishing a Regional Risk Reduction Centre to serve as a data base for the exchange of information.

The discussion that follows will consider these and other suggestions, in two groups of ideas concerning, first, norms, and second, institutions.

Norms

Some practices of preventive diplomacy, such as the use of fact-finding missions and the offer of good offices, may be said by some to amount to interference in the internal affairs of a state. This is especially when

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the scope of preventive diplomacy might extend beyond more traditional security concerns, such as the build-up of armed forces in border areas, or an escalating dispute over territory.

If the concept of comprehensive security is used, then newer, non-traditional conceptions of conflict and crisis, like human rights, the treatment of minorities, and the environment, would come increasingly into focus. In such cases, the potential clash with the norm of non-interference is accentuated.

What can be done? First, there is a need to closely define preventive diplomacy as applied in the ARF. Given the norm of non-interference, definitions that some give to preventive diplomacy, which include coercive measures, sanctions and military deployment, or even the threat of these things, should be ruled out. The ARF may more readily accept preventive diplomacy if it is limited to its core meaning of using only diplomatic measures.

Even so, there are also likely to be concerns that the ARF should be consistent and fair in its application of such measures. Principles that will guide the ARF's practice of preventive diplomacy might need to be discussed and mutually accepted by ARF members. This would help increase the understanding of the process and scope of preventive diplomacy, and foster greater trust in its fair application.

The ARF documents suggest that the principles of the United Nations Charter and the ASEAN TAC might be the starting points for preventive diplomacy. However, the international law principles in the U.N. Charter and the TAC provide no specific and definite guidance on the continuing scope of exclusive domestic jurisdiction. The norms of sovereignty and of international concern and intervention are in flux. State sovereignty and the idea of domestic jurisdiction remain the cornerstone of the international system. Yet, the development of international law and practice has also witnessed increasing co-operation in areas such as human rights, the environment and humanitarian concerns. Where a state grossly violates the norms in such areas, many would legitimate international concern and even intervention.[21]

Respect for a state's fundamental sovereignty is essential, especially for a new institution like the ARF, with a membership of diverse perspectives and political systems. Yet, allowing absolute and exclusive jurisdiction by a state would dismantle the ARF's competence and capability. How can the ARF's practice of preventive diplomacy deal with this conflict of norms?

Five principles may be considered to distinguish legitimate action from unwarranted interference. These are: (a) a threshold for ARF intervention; (b) the nature of the action or intervention; (c) the scale or proportionality of the action; (d) the consent of the state(s) involved;

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and (e) the authorization for action. Preventive diplomacy by the ARF can be tailored accordingly.

Establishing a threshold for the ARF's exercise of preventive diplomacy seeks to draw a line between what matters remain in the domestic jurisdiction of the state and what are legitimately ARF concerns. One principle that might help define the threshold is the obligation that arises from sovereignty: the principle of state responsibility. As applied in the field of international environmental law, while states are sovereign within their own territory, they are responsible to other states for trans-boundary damage.[22] This may provide an analogy for security concerns. For example, internal instability may lead to the mass outflow of refugees to another state, causing an immediate or potential trans-boundary effect. Such trans-boundary effects would arguably remove the issue from the sphere of purely domestic jurisdiction. In such cases, the exercise of preventive diplomacy might be warranted, when trans-boundary effects are incipient, despite the norm of non-interference.

As regards the nature of the intervention, it is significant that, as we have defined it, preventive diplomacy is restricted to diplomatic and other similar actions. These are non-coercive. Compared to sanctions or the use of force, preventive diplomacy may also be seen to be a proportionate or even low-key response to disputes and possible security threats.

There is also scope for state consent. Where practices of preventive diplomacy, such as fact-finding missions or good offices are to be used, these may be prefaced by the request of a state, or with its consent. Where state consent is given, preventive diplomacy is clearly not interference. This was the approach of the ASEAN states in dealing with the 1997 Cambodian controversy, and one which the ARF endorsed.[23] Going ahead without consent may in fact be self-defeating as preventive diplomacy requires trust and co-operation to be effective.

Finally, as regards authorization, how the ARF as a group is to decide on the exercise of preventive diplomacy has yet to be determined. Clearly, the ARF provides a multilateral setting for such authorization, rather than a unilateral one. If the ARF's mechanisms for preventive diplomacy, when determined, allow for a representative decision that takes into account the views of its diverse membership, this would add to the legitimacy of the authorization for action.

The principles suggested are, if accepted by ARF members, only a starting point. Details are necessary to seek a balance between the ARF's practice of preventive diplomacy and the preservation of domestic jurisdiction. For example, in considering state consent, some may

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feel that consent should be real, and therefore can be withheld. Others might suggest that consent should be pro forma. Similarly, the nature of fact-finding missions, and the legitimate exceptions or limits that a host state may impose on such missions, would also need further elaboration. These, and other questions, would have to be clarified by the ARF as it prepares for preventive diplomacy, and may be best clarified in advance and as a whole, rather than on an ad hoc and piecemeal basis.

Perhaps the most important remaining question is: Who decides? Who will decide whether the threshold for ARF concern has been met? Who will decide what actions are appropriate, and when, and who is to carry them out? These are not questions of principle in the abstract; they relate to the institutions that will practise preventive diplomacy in the ARF.

Institutions

As noted, the ARF is at present more of a forum than an institution. Beyond the annual meeting of ministers and a number of inter-sessional meetings of senior officials and working groups, there is no permanent secretariat. To practice preventive diplomacy, further institutionalization is needed. In discussing possible institutions for the ARF, the following are four basic characteristics that would need to be considered:

1. Size: Should institutions be relatively large and comprehensive or should they be minimal?
2. Activity: Should the work of the institutions be ongoing or sporadic?
3. Level: Should institutions be established at the level of ministers, or of the bureaucracy, or on the footing of a "Track-2" or non-governmental institution?
4. Autonomy: Should the institutions be capable of action and initiatives that are independent of the state parties, or should all decisions be subject to ministerial approval?

These institutions for preventive diplomacy, moreover, cannot be imagined in a vacuum, drawn with text book perfection. They are likely to be circumscribed by a number of factors. One factor, already discussed, is the norm against non-interference. Another is ASEAN's caution against supra-regional institutions and the preference for flexibility, rather than rigid, legalistic rules. There is a possible tension between what preventive diplomacy may require and what the ASEAN aversion to larger and more autonomous institutions may allow.

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A third factor is the fact that the ARF is still building common norms and institutions to increase mutual confidence and trust among its diverse membership. This connects with and is emphasized by a fourth consideration that not all ARF members will be equal as regards preventive diplomacy; that the ARF membership is not only diverse, but also differentiated. Members may be differentiated on the basis of whether they lie within the ARF's area of concern, or "geographical footprint", or outside of it. If they are inside, they may be subject to preventive diplomacy, even potentially for matters which they hold to be within their domestic jurisdiction. On the other hand, if they lie outside the ARF's footprint, like Europe and North America, they are not subject to such scrutiny. As such, there is an asymmetry among the ARF members in the degree to which they may be subject to preventive diplomacy. Such asymmetry will tend to strain mutual trust and confidence. This is especially if those urging preventive diplomacy will themselves not be subject to it.

In the context of these four factors, minimal institutions may be preferred by the ARF in proceeding with preventive diplomacy. There might also be preferences among a number of ARF members for institutions with less autonomy, which must seek the approval and take direction from decisions made by the state representatives. Some ARF members are also likely to seek decision-making processes for preventive diplomacy in which they strongly participate or even hold a veto.

As the ARF moves towards preventive diplomacy, it must therefore strike a balance between two polarities. It needs to find a median between, on the one hand, the degree of institutionalization for preventive diplomacy that the consensus of states may accept and, on the other, the degree of institutionalization that preventive diplomacy requires in order to be effective. Aiming for larger, more active and autonomous institutions may divide opinion among ARF members. If this is divisive, it may undermine the trust that is essential to both the ARF in these early and formative years, and to the nature of preventive diplomacy. On the other hand, if institutions are weak, this might disable the exercise of preventive diplomacy from the very start. Ineffectual institutions would undermine the credibility of the ARF and of the idea of preventive diplomacy. What, therefore, is the least that preventive diplomacy requires to be effective?

In the ARF Concept Paper, as already noted, two institutions were suggested, as a minimum: a Regional Risk Reduction Centre and Special Representatives to undertake fact-finding missions and offer their good offices. The ARF Concept Paper did not spell out either institution in more detail. How do we imagine them? What characteristics do they require to exercise preventive diplomacy? How will these

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institutions sit with the ARF as a whole and, in particular, with the ARF chairmanship?

Preventive diplomacy clearly requires timely action. It requires the parties to the dispute to trust those who exercise preventive diplomacy. It requires legitimate and fair application in different situations.

Timely action depends, first, on the existence of an early warning system that can effectively gather information and provide analysis to map out danger points and assess incipient disputes before a crisis results. The present arrangements of the ARF are clearly inadequate for early warning. The establishment of a Regional Risk Reduction Centre (RRRC), as envisaged by the ARF Concept Paper, might fulfil this need. Such a centre should conduct ongoing work, serving the ARF between ministerial and other official meetings.

The ARF need not create a large bureaucracy for early warning. Rather, it may link with and draw on the United Nations, on regional and sub-regional organizations, and on specialized non-governmental organizations (NGOs) already conducting research and analysis on security-related issues. Indeed, much of the work of the RRRC may be initiated on a "Track-2" level.[24]

The work of the RRRC would be assisted by a system of state reporting in the ARF. Such a system could require each ARF member to submit reports annually or at least regularly on issues that may potentially relate to security. Other ARF members could seek clarification of these reports. An ASEAN example of such a state reporting system can be seen in the Southeast Asia Nuclear Weapons-Free Zone treaty.[25] The RRRC should also be given some scope for initiative while remaining under the supervision of the ARF state members and the chairman.

Beyond detecting the possible problems ahead, preventive diplomacy requires action and, more, that disputing states trust in the skill and impartiality of the third parties practising preventive diplomacy. Part of that trust can be established by selecting the right person for the situation at hand. The appointment of Special Representatives (SRs) can help meet this need.

The use of SRs would widen the pool of appropriate persons. Those with special knowledge and experience, such as former senior officials and eminent scholars, could be of assistance. Where necessary, SRs might even be drawn from the United Nations or other institutions outside the region. The primary consideration would be to find the right person, given the precise nature of the dispute and the states involved. This is the first benefit that using SRs to conduct preventive diplomacy may bring to the ARF. Appointed SRs might undertake fact-finding visits, goodwill missions and other practices of preventive

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diplomacy. In taking up these roles, SRs might enjoy greater trust and stature than representatives from the RRRC or other ARF bureaucrats. The use of SRs could also be useful as it would devolve the practice of preventive diplomacy from the ARF proper, with its attendant publicity.

SRs could be appointed on an ad hoc basis, depending on the needs of different situations. A register of SRs might be preferred, as recommended by "Track-2" discussions.[26] One advantage of such a register is that the identity and background of prospective SRs would be known before hand to state members. Another benefit is that SRs would be more in tune with the concerns and evolving norms of the ARF, especially if, as suggested, they are involved between ARF ministerial meetings.

SRs can usefully supplement the ARF in practising preventive diplomacy. There would, however, be limits on the autonomy that they would exercise. Supervision and control by ARF members is needed, especially within the first years of the institution, to make the vital decision of when to act on early warning, and what to do. This calls for the consideration of how the ARF makes decisions and an enlarged role for the ARF chairman.

The ARF members presently meet infrequently and act on consensus, mainly in approving a chairman's statement. Preventive diplomacy requires timely response, and therefore some delegation of initiative and oversight is needed for the ARF in taking up this new practice. Perhaps the most minimal institution that can achieve this is the role of the ARF chairman. At present, the ARF chairman is a rotating post. The chairman's role is primarily to host the ARF ministerial meeting itself and to chair discussions. This is a largely formal and logistical role. To enable the ARF chairman to play an effective part in preventive diplomacy, this role would have to be enlarged.

The ARF chairman should evolve into an office of eminence and trust. He should be able to exercise initiative and judgment for preventive diplomacy in between the ARF ministers' meetings, while still being responsive to the interests and concerns of member states.

It may not be that every report or potential crisis can and should involve all state members. In some cases, parties involved might not trust a particular third state to be involved because it is perceived that this third state has an interest or bias in the outcome. The participation of a super- or middle-power might undermine the trust of the parties to the conflict. In other cases, the participation of such states might be critical to heading-off a conflict. The ARF chairman should therefore have flexibility in choosing how to proceed.

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For example, the ARF chairman might consult with the RRRC and SRs on disputes that arise between ARF ministerial meetings. He might then exercise judgment to take the initiative for preventive diplomacy. Alternatively, the chairman might decide to involve ARF state members in considering what should be done.

With this possible increase in its responsibilities, the constitution of the ARF chairman and the way in which he is selected might have to change. As the ARF chairman is a representative of a member state, some might not feel that the office is wholly neutral in all situations. Additionally, the chairman might not be able, at all times, to devote sufficient attention to the ARF. A single chairman would be constrained by conflicting duties and perhaps even conflicting interests in overseeing the practice of preventive diplomacy. Furthermore, as the ARF chairman rotates from year to year, the exercise of preventive diplomacy by the office might lack continuity as incumbents change. Such concerns impose limits on the additional scope that the ARF chairman might take on for preventive diplomacy.

To circumvent these limitations, suggestions have been made to enlarge the chairmanship in line with its increased initiatives and duties. In a number of regional groupings, such as the European Commission, a triumvirate is used, comprising the present, immediate past and prospective chairmen. Such a system has advantages over a simple rotation from one state to another. It ensures a degree of continuity. It provides additional and different perspectives to situations. It increases the experience and wisdom available for the exercise of preventive diplomacy by widening the circle of those involved.

In enlarging the ARF chairmanship, some might suggest that the present practice of rotating it among ASEAN members should be changed. They wish to allow non-ASEAN members to take a larger, more central role. Chairmanship might, it has been suggested, be separated from the ASEAN chairmanship or otherwise be widened to include those from different regions in the ARF footprint. On the other hand, there are those who wish ASEAN to remain in the driver's seat of the ARF.

Suggestions to widen eligibility for the chairmanship have their attraction. As the ARF matures, it will create a community dedicated to common security in an area much wider than ASEAN. In that eventuality, it might be legitimate to expect that all regions would equally contribute to the ARF and chair it.

For the present to middle term, however, some would caution against such a proposal and prefer to retain ASEAN chairmanship. Such caution emphasizes that the ARF is a new initiative still seeking common norms and institutions to increase mutual confidence and

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trust among its diverse membership. It is also necessary to recall the asymmetry between members within the ARF's footprint and those outside it, as regards the possible application of preventive diplomacy. For these reasons, as the ARF proceeds with preventive diplomacy, its institutions might well require the leadership of those, like the ASEAN members, who are themselves open to enquiry and intervention. A continued ASEAN chairmanship of the ARF seems to have the best chance of bridging the differences among members who would proceed with preventive diplomacy more quickly and those, like China and others in Asia, who are more cautious.

In any event, the essential element, it would seem, is not so much which country is the chairman but rather that the system and norms for practising preventive diplomacy are accepted by all. As such, whatever system evolves to determine the ARF chairmanship, the institution should be accountable and responsive to ARF members. The chairmanship should act to consult and include ARF members in decision-making even between the annual ministerial meetings. Decisions taken would then be subject to scrutiny by all members at the next subsequent meeting.

In sum, for the chairman and other institutions, the ARF would need to evolve institutions of leadership for preventive diplomacy, acceptable and accountable to all members, and yet still able to act with a sufficient degree of autonomy and initiative.

Conclusion

The prevention of conflict is a tempting prescription. It revisits and reinvigorates the old wisdom that an ounce of prevention is better than a pound of cure. The concept of preventive diplomacy is defined not in the abstract, but by its practice in the real world. Will it be effective? That is a controversial question. The practice of preventive diplomacy by the United Nations and by other regional organizations has seen both noted success and notorious failure.

What seems more certain if preventive diplomacy is to have a chance of being effective in the ARF, is that normative and institutional changes are needed to prepare the way. The argument in this article has sought to identify the preparations that will need to be made for preventive diplomacy to work. These arguments, in summary, may be reduced to three key steps. The ARF will need to:

1. agree on a set of norms and principles for preventive diplomacy;
2. establish working mechanisms and institutions to link with other international, regional and sub-regional institutions; and

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3. move towards a greater institutionalization of its own processes, balancing greater initiative and autonomy with accountability to and access by members.

These questions of norms and institutions will need clear answers with sufficient details. This article has made a number of suggestions in this regard and sought to imagine how the ARF might proceed. The particulars of the suggestions made might not be adopted by the governments. Clearly, prior work will be needed to develop and detail different possibilities for consideration, whether among the governments directly or at the "Track-2" level. This will occupy the ARF for some time to come, and will have a shaping hand in the development of this new institution and its practices. In this way, preparing for the practice of preventive diplomacy is not just another new undertaking by the ARF. Rather, it is an exercise that can potentially shape the practices among ARF member-states and the very institution of the ARF itself.

NOTES

1. ARF Chairman's Statement, Subang Jaya, Malaysia, 27 July 1997. The statement recalled earlier agreement that where "Stage I" (confidence-building measures) and "Stage II" (preventive diplomacy) overlap, "such matters can proceed in tandem with Stage I".
2. "The ASEAN Regional Forum: A Concept Paper, 1995", submitted by ASEAN and annexed to the ARF Chairman's statement, Brunei Darussalam, 1 August 1995.
3. The ARF members are: Australia, Brunei Darussalam, Cambodia, Canada, China, the European Union, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Papua New Guinea, the Philippines, Russia, Singapore, South Korea, Thailand, the USA, and Vietnam.
4. The ARF's geographical footprint covers all of East Asia, Northeast and Southeast Asia, as well as Oceania. Notwithstanding this, some activities such as co-operation on "search and rescue" cover the larger Asia-Pacific region. The footprint was established at the ARF meeting in 1996. See Chairman's Statement, Third ARF, Jakarta, 23 July 1996.
5. On preventive measures generally in international institutions, see Gareth Evans, *Cooperating for Peace* (Allen & Unwin, 1993).
6. The ARF "Track-2" comprises government officials meeting in their private capacity with scholars and others. Three "Track-2" meetings on preventive diplomacy have been held to date: in Seoul in 1995, in Paris in 1996, and in Singapore in 1997. CSCAP is a non-governmental grouping of scholars and researchers, set up in 1993. CSCAP has considered preventive diplomacy as part of its working group on confidence-building measures. For the ARF statements, see the Appendix to Simon Tay, *Preventive Diplomacy and the ARF: Principles and Possibilities* (Institute of Defence and Strategic Studies, 1997).
7. Dag Hammarskjold, *Annual Report of the Secretary-General on the Work of the Organization, 16 June 1959 – 15 June 1960* (United Nations, 1960), p. 2.

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8. United Nations Charter, Article 1. For the legal basis of preventive diplomacy generally, see B.G. Ramcharan, *The International Law and Practice of Early-Warning and Preventive Diplomacy: The Emerging Global Watch* (Kluwer, 1991).
9. Boutros-Boutros Ghali, *An Agenda for Peace: Preventive Diplomacy, Peacemaking and Peace-keeping* (New York: United Nations, 1992).
10. A similar typology is proposed by Amitav Archarya, "Preventive Diplomacy: Issues and Institutions in the Asia Pacific Region", in *Managing Security and Peace in the Asia-Pacific*, edited by Bunn Nagara and Cheah (Malaysia: ISIS 1996).
11. For a consideration of the range of different preventive and related actions, see Gareth Evans, *Cooperating for Peace*, pp. 52–168.
12. Michael Lund, *Preventing Violent Conflicts: A Strategy for Preventive Diplomacy* (US Institute of Peace Press, 1996), pp. 203–4.
13. See Boutros-Boutros Ghali, "Challenges of Preventive Diplomacy", in *Preventive Diplomacy: Stopping Wars before They Start*, edited by Kevin Cahill (Basic Books, 1996). See also Connie Peck, *The United Nations as a Dispute Settlement Mechanism* (Kluwer and Unitar, 1996).
14. Article 52 of the United Nations Charter.
15. On the OSCE and its predecessor, the CSCE, see Dr Wilhelm Hoynck, "CSCE Works to Develop Its Conflict Prevention Potential", *NATO Review*, WEB Edition, 42, No. 2 (April 1994): 16–22. On the OAU, see Salim Ahmed Salim, "Localizing Outbreaks: The Role of Regional Organizations", in *Preventive Diplomacy: Stopping Wars Before They Start*. See also Michael S. Lund, "Lessons from Experience", in *Preventing Violent Conflicts*, pp. 51–105.
16. For a review of European experience which the ARF might adopt, see Trevor Findlay, "The European Cooperative Security Regime: New Lessons for the Asia-Pacific, in *Pacific Cooperation*, edited by Andrew Mack and John Ravenhill (Allen & Unwin, 1994).
17. The second ARF Chairman's statement, 1 August 1995, recognized the Inter-sessional Support Group on Confidence Building, as well as the International Meetings on Cooperative Activities, such as peace-keeping. Three groups were established: on Confidence-Building Measures (chaired by Indonesia and Japan); Peace-keeping (Malaysia and Canada); and Search and Rescue (Singapore and the USA).
18. For example, Michael Antolik, *ASEAN and the Diplomacy of Accommodation* (ME Sharpe, 1990). See also, Michael Haas, *The Asian Way to Peace* (Praeger, 1989); and Chin Kin Wah, "ASEAN in the New Millennium", in *ASEAN in the New Asia: Issues and Trends*, edited by Chia Siow Yue and Marcello Pacini (Singapore: ISEAS, 1997).
19. See Amitav Archarya, *Preventive Diplomacy: Issues and Institutions in the Asia-Pacific Region*. See also Charles Morrison, "Progress and Prospects in Foreign Policy and Cooperation Among the ASEAN Countries", in *ASEAN Identity, Development and Culture*, edited by R.P. Anand and P.V. Quisumbing (Quezon City: University of the Philippines Law Centre and East-West Centre Culture Learning Institute, 1981).
20. Second ARF Chairman's statement.
21. For a general discussion on contemporary views of the issue, see *Beyond Westphalia: State Sovereignty and International Intervention*, edited by Lyons and Mastanduno (John Hopkins University Press, 1995).
22. Principle 21 of the 1972 Stockolm Declaration on the Human Environment, and Principle 2 of the 1992 Rio Declaration on Environment and Development. See also the "Trail Smelter Arbitration (USA v Canada)", 1949.
23. The ARF ministers "took note of assurances" by the Cambodian Foreign Minister

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that "Cambodia welcomed ASEAN's role in helping restore political stability in Cambodia". Chairman's statement, fourth ARF, Subang Jaya (Malaysia), 27 July 1997.

24. For an overview of NGOs working on early warning systems, see Ted Robert Gurr, "Early Warning Systems", in *Preventive Diplomacy*, edited by Kevin Cahill (Basic Books, 1996).
25. Article 14 of the Treaty allows a state to request a fact-finding visit. A committee established under the Treaty then considers if the request is legitimate or "frivolous, abusive and clearly beyond the scope of the Treaty". If the request is legitimate, the state is under an obligation to co-operate to facilitate the effective function of the fact-finding mission. For a description and brief comment on the treaty, see Treaty on Southeast Asia Nuclear Weapon-Free Zone, South East Asia and International Law section, *Singapore Journal of International and Comparative Law* (1997) 1 SJICL, p. 414.
26. Chairman's Statement, ARF Track-2 Seminar on Preventive Diplomacy, Seoul, May 1995.

SIMON S.C. TAY teaches international and public law at the Faculty of Law, National University of Singapore.
OBOOD TALIB is a research and administrative officer at the Institute of Policy Studies (Singapore).

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EU-ASEAN Relations: Reconciling Two Different Agendas

EERO PALMUJOKI

This article discusses the role of politico-cultural agendas in the EU-ASEAN dialogue. Its underlying theme is that each regional system is trying to develop its own politico-ideological culture. Despite the different models of organization and the different paths to development, political agendas have an important role both in ASEAN's external policy and in the European Union's common foreign policy. The EU's commitment to "the European common values" in the Maastricht Treaty and its implications for the EU's dialogue with ASEAN is balanced by politico-economic considerations. Similarly, the central concepts underlying ASEAN's external relations, particularly sovereignty and ASEAN unity, is counterweighed by the important notion of interdependence.

Introduction

The post-Cold War period has rendered prominent the relations between the different regions of the world. The Cold War bloc structure not only neglected the examination of regions as independent systems but also obscured the conflicting interests between the different regions. However, the collapse of the two-bloc system clearly had implications for the common and conflicting interests of the regional systems. This is also particularly the case for EU(EC)–ASEAN relations. Interestingly enough, the conflicting interests here have been mostly ideological, although economic matters have always been an important factor in ASEAN's relations with Europe.

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Southeast Asian and European Regionalistic Ideas

Norman Palmer's famous analysis of Asia-Pacific regional developments sheds light on the examination of European and Southeast Asian regional developments. It afforded some tools in analysing the differences in the agenda-setting of these two regions. Palmer distinguished two kinds of regionalism, the old and the new, where Europe represents the old, and Asia-Pacific the new. The main characteristics of the old regionalism are the development towards general integration, the deterioration of national sovereignty, and the tendency towards federalism. However, in the Third World, and in Southeast Asia in particular, the characteristics of the new regionalism are interdependence, because of the globalization of markets, and nationalism, supported by the nation-building process which is still ongoing in several Southeast Asian countries.[1]

Palmer's thesis seems to illustrate quite well the examples of the European Union (EU) and ASEAN. European integration has progressed both vertically and horizontally, and after the Maastricht Treaty the federalist nature of the Union was strengthened. On the other hand, the creation and the development of ASEAN generally fits into Palmer's analysis. Global and regional interdependence as a starting point of regionalism has been documented in the basic declarations of ASEAN. Despite regional co-operation, however, national sovereignty is emphasized in every Southeast Asian country. Closely connected to the nation-building process, sovereignty has, however, a different content from the way in which the concept is traditionally understood.

In Southeast Asia, as well as in Europe, regional ideologies contain several different ideas, having different emphases in different countries. Thus, the focus is on general trends which are widely accepted in these regions. In Southeast Asia, the elements of regional ideas developed in a post-colonial world, where the important factors were the general trend of anti-colonialism, non-alignment, and the two-bloc structure. Finally, a new export-oriented economic model, adopted from Japan, Taiwan and South Korea, emerged as a crucial element in Southeast Asian regionalism, which distanced it from other Third World regional developments. From this basic starting point, more sophisticated concepts were introduced.

In Europe, likewise, the main current of regional ideas developed in the Cold War two-bloc system. Besides functionalist economic models, the political values underlying integration were formulated. Western Europe and European integration were considered to include all the elements lacking in the Soviet Union's East European satellites: democracy, the rule of law, human rights and fundamental freedoms.

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These elements were expressed through egalitarian principles, which included the emphasis on economic, social, legal as well as sexual equality. Their expressions varied in different European countries, but generally they occurred as an emphasis of legitimate group interests or in different forms of state welfare ideas, especially in the Nordic countries. These egalitarian principles stand out in sharp relief when compared to the politico-economic model of the ASEAN states, which emphasizes the primary objective of economic growth based on authoritarian governmental control of labour, wages and exchange rates. Although this model has various applications in Asia and even in Southeast Asia, it is referred to here as an "Asian economic model".[2]

Consequently, Southeast Asian regionalism has, particularly in its emphasis on national sovereignty, certain connections to the general trends of the Third World movement. The anti-colonial rhetoric emphasizing sovereignty from former colonial masters has not been totally alien to the ASEAN states. However, the position of the founding countries of ASEAN in the Southeast Asian Cold War struggle produced highly original expressions of regionalism. For example, the concept of interdependence, which in the 1960s and the 1970s was generally used to describe the dominance of the industrialized countries over the Third World, was turned into a positive concept for the survival of the Southeast Asian countries. Thus, the new ASEAN approach differs from the anti-imperialism advocated by the radical members of the Non-Aligned Movement. Global and regional interdependence provided an opportunity for economic growth and stability, which then became the basic idea of ASEAN co-operation. By taking advantage of globalization trends, Southeast Asian countries wished to enforce their national sovereignty, not lose it. Hence, the main contents of sovereignty was the independence of these countries from their old colonial masters and territorial integrity *vis-à-vis* neighbouring countries. This did not mean the absolute sovereignty of the governments over global and regional politico-economic influences, differing from the traditional meaning of the concept.

Interestingly enough, neutralism, which became one central element of Southeast Asian regionalism, includes both sovereignty and interdependence. In Southeast Asia, neutralism has been given different interpretations, depending on regional governments. It varies from the emphasis on sovereignty where the great powers' absence from the region is the principal aim, to the emphasis on interdependence, in which the balanced presence of the great powers is considered to be the most stabilizing factor in the region. Besides these two sometimes contradictory concepts, the concept of ASEAN unity has become crucial in ASEAN's co-operation. Originating in ASEAN's motto "Unity

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in Diversity", it was central in ASEAN's policy towards the Kampuchean question during the 1980s. During the 1990s it received a new expression in "One Southeast Asia", referring to the new membership of the Indochinese countries and Myanmar in ASEAN.

The EU's Asia Strategy and ASEAN

Norman Palmer's analysis of European integration as "old regionalism" leading in an increasingly federalist direction is, however, less pertinent when the EU's common foreign and security policy (CFSP) is dealt with. During the Cold War, common foreign policy never became a primary issue in the European Community's activities. Although European economic relations and legislation, to some extent, had developed according to the federalist model, the Community's foreign policy had not followed these principles. Similarly, the EU's CFSP is still mainly the business of the governments of the member countries, and the role of the Union's common institutions is peripheral. In order to unite foreign policy, the European Community members agreed on the foreign policy agenda which was documented in the Maastricht Treaty. The institutional weakness of common foreign policy decision-making emphasized the importance of the agenda in the EU's common foreign policy.

The European Union's policy towards ASEAN has to be examined from two points of view. On one hand, it has to be examined from the point of view of the political agenda written into the Maastricht Treaty. From this point of view, the central issue is the defence of common European values, including democracy, the rule of law, human rights, and fundamental freedoms. The other important point of view driving the Union's ASEAN policy is the EU's attitude to international trade and its commitments to the World Trade Organization (WTO). Therefore, an ideologically-motivated political agenda is complemented by economic considerations.

The origin of the European dialogue with ASEAN at the beginning of the 1970s was economic in nature, which formed the core of the relations up to the 1990s. The dialogue included, particularly in the 1970s, an attempt by the ASEAN states to achieve similar status as the Lomé countries. And when their economies developed further, the ASEAN states intended to secure the free entry of their products into the Community's markets.[3] The Cold War prevented trade issues from turning into a political question. There were no particular political disagreements between these two organizations in the two-bloc structure as the EC supported ASEAN's policy on the Kampuchean ques-

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tion, and ASEAN supported the Western countries on the issue of Afghanistan.

However, this situation was modified when the international order began to change in the Asia-Pacific region. At the ASEAN Post-Ministerial Conference in Kuching in 1990, the different approaches to political and social questions, particularly on human rights, between the European Community and ASEAN, stood out after the Tiananmen Square massacre in China, when ASEAN rejected the Community's policy of imposing sanctions on Beijing.

On the other hand, the Community enforced the common approach to certain issues, where human rights were the crucial denominator. In the Cold War situation, the EC had experience on human rights questions on several occasions. Human rights issues were particularly strong when the first steps of the common foreign policy of the EC (EPC or European Political Co-operation) were taken. In the case of South Africa, human rights, particularly the abolition of apartheid, were emphasized. The use of economic sanctions was established as the Community's instrument on the human rights question.[4] The emerging agenda of the EC, where human rights and democracy issues, together with environmental questions, were paramount, took place at the Kuala Lumpur Post-Ministerial Conference in 1991. The role of these issues in the EC's policy was clear, as was ASEAN's rejection of them. In the next conference in Manila, it became obvious that owing to the EC's agenda, a new co-operation agreement between the two organizations could not be attained.

However, after the Maastricht Treaty, in spite of the fact that the European Union was very preoccupied with European integration and with Eastern Europe, the Union started to evaluate its global position. A very important part of this was the evaluation of the EU's Asian strategy, where ASEAN's role was emphasized. The Commission delivered its new Asian strategy to the European Parliament in 1994, which accepted it in 1995. This was followed by the EU's new ASEAN strategy, where the specific situation of ASEAN was considered.

In its new Asian strategy, the Commission linked the EU's Asian policy to the common foreign and security policy. The strategy paper stated:

> The European Union is entrusted with the task of developing a common foreign and security policy to enable it to protect its interests and values as well as playing a constructive role in world politics.[5]

With world economic growth being the strongest in East and South-east Asia, the Commission concluded that the political weight of Asia

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would increase. However, the report made a fundamental and questionable delineation, as it linked Japan, South Korea and other East and Southeast Asian economies to the rest of the Asian countries, including such countries as Pakistan, Nepal, Bangladesh and Sri Lanka, excluding only the former Soviet Asian republics. This approach, much criticized both in Europe and Asia, tended to consider Asia as a unified area, emphasizing its backwardness and instability.[6]

This kind of interpretation is largely ignored in the Commission's new draft strategy paper on ASEAN relations, "Creating a New Dynamic in EU–ASEAN Relations", where the geographical delineation was much more appropriate. Nevertheless, the new strategy document was preceded by Asian and European criticism of the EU's Asian strategy, where particular issues of conditionality were called into question.[7] Besides this, the dialogue between the Union and ASEAN was in danger of becoming fruitless shadow-boxing where one-sided views were sparring with each other.

However, in the EU's policy towards East Asia and Southeast Asia, the political agenda, including the promotion of human rights, democracy, the rule of law and basic freedoms, together with the claim for "fair trade", were combined with the economic interests of the EU and its member states. The fair trade question dealt not only with such justified claims as international copyright questions, but also with the much more questionable issue of the social clause. This involved an EU demand that the Southeast Asian countries change their social legislation and workers' conditions to better correspond with European standards before the trade agreement on equal treatment could be arrived at. The economic interests also included the need for some European countries to protect their labour-intensive production, as the EU's counter-measures against East and Southeast Asian imports show.[8] This highlights the fact that it is sometimes difficult to separate political and economic interests when dealing with the EU's policy towards ASEAN.

The crucial question in the EU's Asian strategy is the relationship with the social clause, conditionality, and the EU's attempts to enforce its economic and political presence in Asia. These dualistic and contradictory elements can be clearly seen in the discussions in the European Parliament. The discussions produced four documents in which the tension between the EU's Asian strategy objectives was clearly evident. Similarly, these four documents, including the Foreign Affairs Committee's (FAC's) report on the Commission's draft paper and the opinions of the Committee on External Economic Relations (CEER), the Committee on the Environment, Public Health and Consumer Protec-

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tion (CEPHCP), and the Committee on Development and Co-operation (CDC), reveal differing interests within the Union.

The CEPHCP and the CDC defended forcefully the introduction of the social clause into agreements made between the EU and ASEAN. Interestingly enough, but not surprisingly, their arguments approach the claims of fair trade. The CEPHCP warned of the Asian economic model based on economic growth:

> [S]uch short-term policy should be avoided. The committee therefore calls on the Commission to ensure that trade with the countries of Asia is fair trade. Neglecting public health and environmental interests and obtaining a price advantage over trading partners using "environmentally-friendly" prices, that is, prices which take into account effects on the environment (and public health), is unacceptable.[9]

The CEPHCP demands a strict social and environmental clause. It can be viewed as criticism of the Asian economic model and a defence of the European state welfare model. The Committee on Development and Co-operation shared the critical line of the CEPHCP. It defended the principle of conditionalizing the development and co-operation agreements according to the human rights and democracy records, and criticized the Commission for neglecting the viewpoint of underdevelopment.[10] However, the FAC's report and the CEER's opinion differed clearly from the CEPHCP and CDC's critical delineations. The FAC warned of the dangers of the policy proposed by the CEPHCP and the CDC. The Foreign Affairs Committee and the CEER proposed that the Union come up with several Asian strategies owing to the differences between Asian regions and countries.[11] This, among other ideas of the FAC and the CEER, such as the meeting of the heads of governments of the EU and the Asian countries, was put in practice particularly in the EU's ASEAN strategy.

The EU's ASEAN strategy, which the Commission presented to the Parliament in July 1996, does not include as critical an emphasis as the "Asian strategy". Besides the different character of these strategies, there have been political developments after the approval of the "Asian strategy" which have possibly led to a softening of the EU's ASEAN strategy. Although the latter strategy was officially an application of the EU's broader Asian strategy, the differences were obvious. The discussion, which started after the EU's Asian strategy was decided, had pointed to the problematic questions of conditionality and fair trade. Politically, these questions had produced a deadlocked situation in the ASEAN–EU negotiations for a new co-operation agreement. On the other hand, the political agenda of ASEAN was emphasized in the

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ASEAN–EU dialogue. In the EU's new strategy, these two viewpoints were taken into consideration.

ASEAN's Regionalism and the EU

ASEAN's political agenda is not written down in such a form as the EU's agenda in the Maastricht Treaty. Nor has ASEAN any comprehensive strategy for Europe as the EU has for Asia and ASEAN. Nevertheless, some of the Southeast Asian regional ideas stand out from the other ASEAN regional concepts in ASEAN's dialogue with the EU.

Contrary to the EC's early experience, foreign policy has always had an important place in intra-ASEAN co-operation. Because of the overall weak institutional structure of ASEAN as an organization and the fact that a common Southeast Asian stand on international issues was one of the primary aims of ASEAN, agenda-making through consensus is emphasized. The basis of the agenda has been regional resilience through stability and the Asian economic model. This includes emphasis on interdependence, sovereignty and unity. The agenda has no fixed topics, unlike that adopted by the EU in the Maastricht Treaty. The issues coming onto ASEAN's agenda are thus not mainly due to any pre-set programme but are questions which pertain directly to the region's political and economic situation.

As far as regionalism in Southeast Asia is characterized by the concepts of interdependence and sovereignty, it should be noted that integration is also playing an increasingly important role in the region. Despite slow decision-making through consensus, the decision to establish the ASEAN Free Trade Area (AFTA) automatically integrates the economies in the area and makes ASEAN a more coherent international actor. This, despite its organizational weakness, forces the external powers, such as the EU, to deal with ASEAN as a single unit.

In ASEAN's decision-making, unanimity is determined according to the member country whose interests are most significantly involved.[12] Thus, the concept of unity determines the issues by which ASEAN makes a common stand. In fact, ASEAN unity, although it is a leading principle of the organization's decision-making, has also been a question which has driven ASEAN's policies during the 1990s. The dismantling of the Cold War structure in Southeast Asia created the possibility of implementing the original ASEAN idea of gathering all ten Southeast Asian countries under the same organization. Therefore, unity works as both a principle and an aim.

In brief, ASEAN's political agenda in the ASEAN–EU dialogue includes, on the one hand, the recognition of mutual interdependence and, on the other, the emphasis on ASEAN unity and sovereignty.

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Although interdependence and sovereignty, together with ASEAN unity, are from time to time contradictory, they do not form a clear dividing line between the ASEAN countries. During the Kampuchean conflict when ASEAN unity was linked to the general condemnation of the violation of the national sovereignty and territorial integrity of a neighbouring country, in the dialogue with the EC these concepts were put across more in terms of rhetoric, placing emphasis on the independence of the Southeast Asian countries from their old colonial masters. This kind of political language connects sovereignty and ASEAN unity, but also democracy and human rights, questions to the themes originating in old anti-colonial rhetoric, and is clearly evident in Malaysian foreign policy but also apparent in the approaches of the other Southeast Asian countries.

The question of sovereignty first emerged in the EC-ASEAN dialogue when the Community attempted to introduce the social clause and conditionality. In the Community's negotiations with ASEAN in 1991, the then Malaysian Foreign Minister, in rather moderate terms, rejected the European demand to introduce environmental issues, human rights and democratic values as a part of a new co-operation agreement, as being incompatible with the present stage of development:

> I wish to reemphasize ASEAN's strong conviction that these issues should not be viewed in isolation of our pressing need for promoting economic growth and sustainable development. Nor should it ignore other fundamental principles and factors such as historical experience, cultural diversity and socio-economic indicators. We hope that the EC side will bear in mind our sensitivities and concerns on these issues.[13]

The European post-Cold War approach on human rights and democracy was connected to that of the United States in its views on Southeast Asia. These views pinpointed the West's intention to preserve its dominant position in a new world order by rejecting the Southeast Asian approach to national and regional developments. In this discussion, the differences between "Eastern" and "Western" approaches to democracy and human rights were apparent. The Asian way of development was especially articulated by Malaysian and Singaporean leaders, but was followed by the ASEAN think-tanks, including both academics and government officials. The arguments of this discussion were divided, both on the defence of the ASEAN countries to have the sovereign right to decide on their own approach to development and the differences in Western and Eastern views on democracy, human rights, basic freedoms and societal models. National sovereignty was

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broadened, particularly in the approach of the Malaysian Prime Minister, Dr Mahathir Mohamad, to include the whole region. Hence, Southeast Asia should defend its sovereignty to decide on regional affairs without interference from the West. In this, sovereignty is linked to ASEAN unity. In fact, Dr Mahathir's proposal for an East Asia Economic Caucus (EAEC) extends this idea to include all of East and Southeast Asia:

> We on the Asian side of the Pacific are permanent neighbours. Surely the neighbours themselves should have more right than others to determine how they wish to relate to each other in economic, security and political matters, for now and for the future.[14]

Although the idea of the EAEC was not wholeheartedly supported by the other ASEAN governments, the general principle of sovereignty is shared by the region. First, this kind of discussion concentrated on the defence of the Southeast Asian development model with its primary emphasis on economic growth. Even more importantly, particularly among the Southeast Asian think-tanks, it has concentrated on criticizing the idea of transferring the Western model onto Asia. In this, the Western model of democracy and the European application of a welfare society was denounced for its inefficiency and its demoralizing characteristics. Regardless of the fact that Dr Mahathir has led this ideological attack, it has been followed-up by numerous Southeast Asian politicians and academics.

In this debate, Southeast Asian arguments focus on the issues of democracy, human rights and Asian and European economic models. Southeast Asian opinions have pointed out that the question of democracy is not doubted as such but the form of it is. They have remarked that several Southeast Asian countries have a political system based on free and regular elections. However, this is not enough for those Western views which maintain that democracy includes both the absolute rights of individuals and minorities. In this, the Asian approach differs in two respects. First, it has led from time to time to rather controversial discussion of different kinds of politico-cultural values, according to which Asian values emphasize the primacy of society before the individual, while Western values advocate the primacy of individual rights before society. However, some Southeast Asians have admitted that these positions are not really contradictory from the viewpoint of democracy. A much more severe criticism against overemphasized minority protection in the West has dealt with the problems of democracy and efficiency. As the Singapore Foreign Ministry's Permanent Secretary, Kishore Mahbubani, has argued, minority protection and the particular interests of minority groups have led, on the one hand, in the United States to a situation where effective environmental legislation is

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ruled out because of rejection by a small, but sufficiently powerful minority and, on the other hand, in the European Union, where huge subsidies keep alive such unproductive sectors as agriculture.[15] Thus, the question of democracy has led to the debate on the Western and the Eastern economic-political model and to the comparison of their efficiencies and inefficiencies.

In his article in *Foreign Affairs*, Kishore Mahbubani broadens this discussion to a concrete regional level. He argues that the regionalism of the EU and ASEAN differs in a fundamental respect. The European countries, at the same time as they expect non-European countries to adopt their political institutions and legal practices, are unable to co-operate with dissimilar politico-cultural systems. Thus, "all the efforts to either deepen unification via the Maastricht Treaty or widen it by including similar European countries are tantamount to rearranging the living-room furniture, while floodwaters are seeping in from the rising tides just outside the door". The EU is, as Mahbubani argues, using politico-cultural values and systems as a pretext for excluding the outsider from prosperity. From this, the East and Southeast Asian approach stands out in bold relief, as "the impulse in East Asia is to draw societies into the region's dynamism, starting with Myanmar and Vietnam and eventually including even North Korea".[16]

Although the governments of the ASEAN states accepted the admission of Myanmar into ASEAN, this does not mean that the domestic situation in the country is acceptable to them. It means, however, that the ASEAN states will try to attract new members into the economic dynamism of the region and thereby make their domestic situation easier. Mahbubani claims that the European Union is drawing a destabilizing geopolitical line between it and its neighbours while such borders are gradually disappearing in the Asia-Pacific region.[17]

However, there is a latent contradiction between ASEAN's concepts of interdependence and sovereignty, or at least, there are different interpretations of interdependence. This contradiction has been most obvious in the opinions on the presence of outside powers in the area.[18] The contradiction can also be seen in the discussion on politico-cultural values. In this, the defence of Third World countries in protecting their national sovereignty against Western countries should not prevent those countries from seeing their own obvious evils. This means that the Western claims about human rights, democracy and environmental issues should be studied seriously, and it is in the interest of the Southeast Asian countries to try to keep the initiative in discussing these matters. The underlying idea here is that the over-emphasis on sovereignty could isolate the ASEAN countries and cut important ties of mutual interdependence.[19]

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Reconciling Two Different Agendas: From the EU–ASEAN Dialogue to the Asia–Europe Meeting

There have been two concrete issues on which the EU's and the former European Community's agenda clashed with that of ASEAN. First has been the East Timor question, where Portugal has kept the EU's attention on the issue of human rights and, second, the approach to Myanmar, where the EU's policy has been to apply economic sanctions on the Yangon government for its bad human rights record and the suppression of the Myanmar opposition. On these issues, ASEAN's policy has been the opposite. The East Timor question is considered a domestic issue for Indonesia and under that country's sovereignty. In the case of Myanmar, the question involves ASEAN's unity and the concept of "One Southeast Asia". The ASEAN leaders have been particularly unanimous in this.[20] Consequently, on a general level, two issues in the EU's agenda, human rights and democracy, on the one hand, and ASEAN's regional unity and sovereignty on the other, seem to prevent increased political relations between these two organizations.

In a wider perspective, however, there are common denominators which support inter-regional co-operation. Both the EU and ASEAN governments share a common view of a tripolar global order based on the relationship between the United States, the Asia-Pacific, and Europe. Similarly, the notion is that both the relationship between the United States and Europe is strong as are the ties between the United States and the Asia-Pacific, but the connection between the Asia-Pacific and Europe is much looser. Therefore, both the EU and ASEAN prefer a more balanced global order with closer relations between themselves.

There exist several forums to harmonize the EU's and ASEAN's approaches: the EU–ASEAN annual meetings, the ASEAN Post-Ministerial Conference with Dialogue Partners, and the ASEAN Regional Forum (ARF). In addition, at the EU-ASEAN meeting in Karlsruhe in 1994, the two organizations decided to establish a group to accommodate their differing views. This "Eminent Persons Group" presented its report in June 1996 and its suggestions were used in the EU's formulation of a new ASEAN strategy.

Apart from these forums, even more important — from the point of view of a tripolar world — is the Asia–Europe Meeting (ASEM), first held in Bangkok in March 1996. This was not a purely EU–ASEAN institution, but a dialogue between the EU and the countries of East and Southeast Asia, with ASEAN playing an especially important role. There are several matters which emphasize ASEAN's role in this process. First, Singapore, its main initiator, and Thailand, the first host of

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the meeting, are both ASEAN countries. But here, the basic idea of ASEM has depended on one of the central concepts of ASEAN: mutual interdependence. In practical diplomacy, the ASEM process was closely associated with the EU–ASEAN dialogue, when the EU–ASEAN ministerial meeting was synchronized with the ASEM ministerial meeting in Singapore in February 1997.

The EU's and ASEAN's interests coincided at the ASEM process in several important respects. Apart from the economic interests of ASEAN in Europe, the political ties of mutual interdependence were emphasized by several ASEAN governments. In this, together with a broader East Asian group, ASEAN tried to find a proper context where the disagreements with the EU would not be the main focus. From the European point of view, the ASEM process offers a new approach for the EU in its relations with ASEAN. This became evident in the EU's ASEAN strategy six months after the first ASEM Summit in Bangkok in March 1996. According to this, ASEAN, as a loose organization, is not an identical partner to the EU, the latter having a better ability to make important international treaties binding on its members. In important inter-regional treaties, the ASEAN governments, not the organization itself, determine the outcome. Internationally, apart from its united actions, the EU has tried to arrange its relations with different countries and country groupings with treaties. However, with regard to the relationship between ASEAN and the EU, ASEAN has been more active in reaching a new agreement. It would be an exaggeration to say that the European side has been passive, but in the institutions of the EU, particularly its Commission, the differing interests of its member states are apparent.[21]

Although the first ASEM Summit stressed the role of the leadership of the EU and the ASEAN member-states together with the East Asian governments, the political process of ASEM following the Bangkok Summit adopted the Track-2 process that is practised by the ASEAN Regional Forum. This means that the first track includes the conventional diplomatic and political discussions of the national governments, while the second track consists of important unofficial interaction between non-governmental organizations (NGOs), academic institutions and businesses from the two regions. One important purpose is to transfer the difficult questions from the first to the second track, which means that difficult issues can be dealt with in a more informal spirit without major politico-ideological matters impinging on the process.

In the Bangkok Summit, human rights and democracy questions were set aside; this was interpreted as a political victory for ASEAN. In fact, two members of the EU had difficulties in finding a proper repre-

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sentative for the Summit due to domestic disquiet over the human rights situation in some Asian countries.[22] Nevertheless, the main focus of the Summit was on the economic relations between Europe and the Asia-Pacific. Besides this, the final declaration, although it includes some concrete economic projects and other forms of co-operation, has clear political meaning.

The political significance of the first ASEM was pronounced in the Chairman's statement at the Bangkok meeting. The statement's appraisal of the global developments and of the principles of Asian-European co-operation was particularly important in this respect. It confirmed the different stages of development between the regional systems. In spite of this differential stage of development, the two regional systems are mutually interdependent. The point of departure of the statement's appraisal of the international situation was that the relations between North America, Europe and East and Southeast Asia determine international relations and the global economy. The chairman's statement contains, implicitly, the idea that the weakness of Asia–Europe relations gives the United States an excessively strong position *vis-à-vis* these two other regions. Therefore, Europe and Asia should increase mutual interdependence and interaction.[23]

Accordingly, in Asia–Europe co-operation common interest should be found and the elements which disrupt co-operation should be avoided. The concept of interdependence was the term by which the European leaders argued for co-operation; the concept was thus established as a basic principle of ASEM, reflecting the strong influence of ASEAN in ASEM. Similarly, the references which further emphasize ASEAN's role were the expressions of the statement indicating the connection between the ASEAN–EU dialogue and the ASEM process. The statement did not deal with concrete human rights questions, a fact which was heavily criticized in the Western media. Nevertheless, it referred to the treaties concerning human rights, including, for example, the Vienna Declaration on Human Rights which the ASEAN states had earlier criticized as being too Western.

ASEM thus reflects both the EU's new Asian strategy, and ASEAN strategy in particular, and ASEAN's traditional way of binding partners into mutual interdependence. These ties, however, could revive old issues, such as Myanmar's membership in ASEAN and the possibility of the Yangon government taking part in ASEM. Notwithstanding that the EU accepted Myanmar's membership of ASEAN as a *fait accompli* in June 1997 and despite the Commission's rather open position on this,[24] not all the EU member governments were ready to include Myanmar in closer EU-ASEAN dialogue. Evidence of possible conflict

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was seen during British Foreign Secretary Robin Cook's tour in Asia in early September 1997, when his comments on the possible rejection of Myanmar's attendance at ASEM by the EU evoked a quick and bitter response from the Malaysian Prime Minister.[25]

Conclusion

Although the EU's and ASEAN's regional developments have taken different paths, in both organizations, the politico-ideological agendas have played an important role in interaction. Accordingly, the building of regional culture by each has had a crucial impact on the external policies of the organizations. In the present situation, in both organizations, the differences in the politico-ideological agenda and politico-economic interests will continue to be significant.

Despite these developments, it is important to ask to what extent the developing ties between these two organizations reflect the general trends of development between Europe and Southeast Asia. The difficulties between the two organizations may only turn developments from the organizational to the state level as both the ASEAN and the EU member countries' approaches differ. If the ASEAN–EU dialogue suffers setbacks, most probably the member countries will involve themselves individually in both regions. ASEAN's organizational structure as well as the EU's CFSP institutional weakness provide plenty of room for the individual members. In the long run, however, the importance of relations between these organizations cannot be overstated, particularly in economic terms. Owing to the EU's domestic markets and the development of the ASEAN Free Trade Area, political agendas will lose their importance, at least partly, to economic considerations.

NOTES

1. Norman D. Palmer, *The New Regionalism in Asia and the Pacific* (Lexington, Massachusetts: Lexington Books, 1991).
2. For an analysis of the different applications of this model in East and Southeast Asian countries, see Hilton L. Root, *Small Countries, Big Lessons. Governance and the Rise of East Asia* (Hong Kong: Oxford University Press, 1996).
3. See Stuart Harris and Brian Bridges, *European Interests in ASEAN* (London: Routledge & Kegan Paul, 1983).
4. Martin Holland, *European Union Common Foreign Policy: From EPC to CFSP Joint Action and South Africa* (London: Macmillan, 1995).
5. COM(94) 314 final (Commission of the European Communities, Communication from the Commission to the Council, "Towards a New Asia Strategy"), p. 7.
6. Ibid., p. 3.

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7. A former Unilever executive, Sir Michael Perry asked whether falling European competitiveness was due to its inefficiency and Asian efficiency, in "Europe and Asia: The Changing Balance of International Business", *World Today*, August-September 1994. See also the critique of the Committee on External Economic Relations (CEER) on conditionalizing and the social clause in the Commission's proposal for the new Asia strategy, PE 211.248/final (Report on the Communication from the Commission to the Council "Towards a New Asia Strategy", Committee on Foreign Affairs, Security and Defence Policy), pp. 26–27, 29.
8. In the beginning of 1997, among the EU's anti-dumping countermeasures, 22 per cent concerned Southeast Asia. The percentage is remarkable if the total Southeast Asian imports to the EU, which is only 10 per cent, are taken into account. If China is included, the amount of the sanctions increases to 42 per cent while the total amount of the imports is 25 per cent. See "EU External Trade Statistics", in *Kauppapolitiikka* 3 (1997): 21.
9. CEPHCP, PE 211.248/fin., p. 31.
10. CDC, PE 211.248/fin., pp. 33–35.
11. FAC, PE 211.248/fin., pp. 11–12 and CEER, PE 211.248/fin, p. 25.
12. Bilson Kurus, "The ASEAN Triad: National Interest, Consensus-Seeking, and Economic Co-operation", *Contemporary Southeast Asia* 16, no. 4 (March 1995): 406.
13. Statement by H.E. Datuk Abdullah bin Ahmad Badawi, Minister of Foreign Affairs of Malaysia at the ASEAN-EC Dialogue Session, Kuala Lumpur, 22–24 July 1991, s. 90.
14. "Opening Statement by the Honourable Dato' Seri Dr Mahathir bin Mohamad, Fifth ASEAN Summit, Bangkok, 14-15 December 1995" (Jakarta: ASEAN Secretariat, 1996), p. 14.
15. Kishore Mahbubani, "New Areas of Asean Reaction: Environment, Human Rights and Democracy", *ASEAN-ISIS Monitor*, Issue No 5 (October-December 1992): 16–17.
16. Kishore Mahbubani, "The Pacific Way", *Foreign Affairs* 74, no. 1 (January/February 1995): 105.
17. Ibid., p. 106.
18. Dr Mahathir writes in his book with Shintaro Ishihara, *The Voice of Asia. Two Leaders Discuss the Coming Century* [Tokyo: Kodansha International Ltd. 1995], p. 119): "Malaysia has always maintained a very different stance from that of some of our ASEAN neighbours in asserting that there is no necessity for a U.S. military presence in our region. The United States assumes that we are afraid of Japan, of China. But we feel there is no threat, for the simple reason that all the countries of East Asia realise that you don't have to conquer others to become prosperous".
19. Mahbubani (1992), pp. 14–17; and Jusuf Wanandi, "Human Rights and Democracy in the ASEAN Nations: The Next 25 Years", *ASEAN-ISIS Monitor*, Issue No 5, (October-December 1992): 7–12.
20. "Opening Statement by H.E. Mr Soeharto, at the 5th Meeting of ASEAN Heads of Government, Bangkok, 14 December 1995, Fifth ASEAN Summit", p. 11; "Opening Statement by The Honourable Dato' Seri Mahathir bin Mohamad, at the 5th Meeting of ASEAN Heads of Government, Bangkok, 14 December 1995, Fifth ASEAN Summit", pp. 13–16; "Opening Statement by H.E. Mr Vo Van Kiet, at the 5th Meeting of ASEAN Heads of Government, Bangkok, 14 December 1995, Fifth ASEAN Summit", p. 32, 33.
21. COM(96) 314 final (Communication from the Commission to the Council, the European Parliament and the Economic and Social Committee, "Creating a New Dynamic in EU-ASEAN Relations"), p. 28.

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22. According to *Le Monde* (3 March 1996) the absence of the prime ministers of two Nordic countries, Denmark and Sweden, was because of a TV programme dealing with Chinese orphans.
23. Chairman's statement at the Asia-Europe Meeting, Bangkok, 2 March 1996. Http://www.asean.or.id/world/asempr1.htm.
24. "Declaration by the European Union on the Accession of Cambodia, Laos and Burma/Myanmar to ASEAN", Luxembourg, 2 June 1997, 8637/97 (Presse 1989) E/59/97. Sir Leon Brittan stated in Berlin, on 15 September, that "a constructive and frank dialogue will benefit us more than allegations and recriminations". Sir Leon Brittan, Vice-President of the European Commission, Speech/97/180, 1997-09-15, p. 4.
25. See *Straits Times*, 2 and 3 September 1997.

EERO PALMUJOKI is a post-doctoral fellow in the Department of Political Science and International Relations, University of Tampere, Finland.

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Understanding Cambodia's Political Developments

ABDULGAFFAR PEANG-METH

As if an illustration of the time-worn maxim that those who do not learn from history are condemned to repeat it, the Cambodian history wheel seems poised to begin anew the cycle of destruction and despair that has become familiar in recent decades. Neither the world community nor Cambodians themselves seem able to profit from the lessons of the past. Judging by their behaviour in recent international events, nations that once could be relied upon to uphold principles of civil and human rights are now willing to cast a blind eye to devastation rather than risk conflict. Order and stability seem more highly prized values than the democratic principles that once drove much of international interaction.

The events of 5–6 July 1997 in Phnom Penh, orchestrated by Second Prime Minister Hun Sen, removed by force of arms a legitimate leader, First Prime Minister Prince Norodom Ranariddh. Ranariddh was put in power by an election in which nine out of ten Cambodians registered to vote risked their lives to participate in the United Nations-organized general elections in 1993. Those voters gave victory to the royalist National United Front for an Independent, Neutral, Peaceful and Cooperative Cambodia (FUNCINPEC) despite the Khmer Rouge's intimidation and the watchful eye of Hun Sen's ruling Cambodian People's Party (CPP), formerly known as the Kampuchean People's Revolutionary Party (KRRP), an offshoot of the Indochinese Communist Party (ICP). Hun Sen was a former Khmer Rouge commander who split with the Khmer Rouge in 1977 to seek support from Hanoi. Vietnam's armed

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forces ousted the Khmer Rouge from power in Cambodia and installed a puppet regime that included Hun Sen. Hanoi's troops remained in Cambodia to prop up the new regime until 1989, when they left the country amid great ceremony. The United Nations then stepped in.

In late 1991, nineteen countries and the four warring Cambodian factions signed the Paris Accords. In February 1992, the fifteen members of the United Nations Security Council voted unanimously to implement the Paris Accords, known as the U.N. peace plan. Some 22,000 military, police, and civilian "peacekeepers", forming the United Nations Transitional Authority in Cambodia (UNTAC), were assigned to run Cambodia for eighteen months, until the United Nations-supervised general elections in May 1993 which was expected to produce a Cambodian government to take over the country. By the time of its conclusion, the peacekeeping operation had cost the United Nations more than US$2 billion. The resettlement and rehabilitation of more than 350,000 Cambodian refugees cost the world body another US$1 billion.

In the 1993 elections, Hun Sen's CPP received fewer votes than Ranariddh's FUNCINPEC, but Ranariddh was pressured to accept Hun Sen as second premier after the latter threatened to bring civil war to Cambodia if a political power-sharing with Ranariddh was not sanctioned. Thus, the United Nations baptized an unworkable two-premier system, with the Prince Premier as the First Prime Minister, and the Comrade Premier as Second Prime Minister. Originally, Hun Sen who controlled the government, the armed forces, and the police agreed to a 50-50 power-sharing arrangement with Ranariddh. In reality, however, even government offices continued to be occupied by Hun Sen's men while Ranariddh's continued to work from hotel rooms. Thus, from the beginning this coalition did not work, although the two premiers put on a good show of "national reconciliation" to enable the authors of the U.N. peace plan to proclaim Cambodia "a model UN success story", and to continue political, financial, and material aid to the coalition.

This is the model that came apart in July 1997. Hun Sen has denied that his actions amounted to a *coup d'etat*[1] as Ranariddh and others have charged. The ouster took two days. There was heavy street fighting in the capital; royalist forces retreated to their former stronghold in northwestern Cambodia. Today, the better-equipped and more numerous troops of Hun Sen control the capital and have the upper-hand in the provinces, but followers of Prince Ranariddh inside and outside the country have not given up their resistance to Hun Sen. Anti-Hun Sen non-royalists are giving added support to Ranariddh.

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Three Factors of Analysis

Three interrelated factors culminated in the events of 5–6 July, known as Hun Sen's coup. The ouster of First Prime Minister Ranariddh put the lie to international representations of Cambodia as a model U.N. success story, and pushed Cambodia back to the pre-1990 situation that promises a renewed civil war.

The first, the international factor, involves the emergence of an international norm that has placed emphasis on ending conflicts within and between small nations in order to restore societal order at a high cost. Nations that in the past advocated aggressively for the institution of democratic freedoms and civil rights now speak with a softer voice. The balance that existed at another time between international actors who championed the primacy of individual rights versus those who value stability and order as necessary preconditions to political change has been upset.

The second factor involves the Khmer culture: the socio-psychological-cultural traits of the Khmer; the factors shaping up Khmer perspectives and outlook; as well as an ability to apply them to real events to explain, analyse, predict, and prescribe more accurately. A failure to put in place a political framework that acknowledged the unique characteristics of Khmer society doomed the U.N. solution to failure.

The third factor deals with the general weariness of the world community with Cambodian problems that do not seem to go away and the repeated betrayal felt by increasing numbers of Cambodians towards the United Nations and major players on the international stage who seem to have abandoned them while solving nothing.

A Sketch of Events

On those days in early July, the forces of the Prince Premier and the Comrade Premier fought in the streets of Phnom Penh. The victors looted the homes of royalist officials. Looting spread to any building that could be breached. Heinous crimes against the vanquished were reported. Whereas foreign governments first expressed disapproval and denunciation of Hun Sen's ouster of Ranariddh and the Association of Southeast Asian Nations (ASEAN) delayed Cambodia's admission into the organization scheduled for July, Hun Sen moved resolutely to consolidate his power. He told a press conference on 10 July, "I am the captain alone". A year earlier, he had said: "What Hun Sen threatens, Hun Sen dares to do". So, the world's only "Made by the U.N." system

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of two premiers was ended by the man who lost the election but for whom the United Nations had created a post against the will of the majority of Cambodian voters. The 1.8 million Cambodians who voted for FUNCINPEC probably never understood, nor have they been told until the present day, how it could be that Prince Ranariddh won more (legitimate) votes than Hun Sen, but the latter also became a prime minister.

Once Ranariddh was ousted, the next step was to fill the vacant position of First Prime Minister. It appeared simple to get FUNCINPEC member, Ung Huot, the Foreign Minister, to replace Ranariddh as first premier. Tycoon Teng Bunma, Cambodia's wealthiest man with holdings reportedly worth more than US$400 million, played an important role. Bunma admitted in an interview with Western journalists, videotaped by an Australian television news crew, that he gave US$1 million to bankroll Hun Sen's coup, and US$50,000 each to three renegade FUNCINPEC officials (governors Toan Chay and Duong Khem, and Minister of State Ung Phan) to back Hun Sen's coup.[2] Thus, FUNCINPEC renegades ousted Ranariddh from leadership and chose Ung Huot.

On 6 August, 99 of the 120 members of the National Assembly met. Ninety-eight voted to strip Ranariddh of his parliamentary immunity; one opposed. Eighty-six voted to make Ung Huot First Prime Minister, with only eighty votes needed for the two-thirds majority required; four opposed; six abstained; and there were three void ballots.[3] Questions arose concerning the constitutionality of these actions.

On 12 August, Hun Sen's military prosecutor issued a warrant for the arrest of Prince Ranariddh, now "deposed" by the National Assembly, as Hun Sen called for legal action over weapons allegedly imported by Ranariddh and seized by Hun Sen at Cambodia's main port in May.

The Clinton Administration, which at first strongly criticized Ranariddh's ouster as "undemocratic", withheld recognition of Ung Huot as Cambodia's legitimate First Prime Minister, but soon sent Desaix Anderson to "continue dialogue" with Phnom Penh.[4]

From Beijing, King Norodom Sihanouk, who made known his view of Ung Huot as a "puppet" and of Ranariddh as the legitimate Prime Minister, spoke of the Phnom Penh leaders: "Their views are totally different from mine", and "I just cannot take part in this new comedy involving states".[5]

With Hun Sen in control of the capital and forcing the capture of the last royalist stronghold at O'Smach some 200 miles northwest of Phnom Penh, the tone of denunciations by foreign governments

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became weaker. It may not be "business as usual" with Hun Sen, but countries have continued to deal with Hun Sen in spite of charges made by human rights groups of extra-judicial executions of FUNCINPEC officers and soldiers loyal to Ranariddh. King Sihanouk fingered France, Japan, and what he called "the great USA" by name, for dealing with Hun Sen, with whom Sihanouk thought no deal should be made, and Sihanouk added: "So go the lives of nations". Perhaps it would not be too far wrong to say that there may be some who would feel relieved if Ranariddh and his followers were to disappear.

Redressing an Imbalance

The view, common in Asia, that stability and order are of primary importance to society is not new. Only with stability and order, the thinking goes, would there be hope that core principles and values that guide men, such as freedom, human rights, and democracy, may flourish. Non-Western civilizations that value respect for authority, encourage discipline and obedience towards rulers, embrace collectivism over individualism, also tolerate authoritarian rule. The primacy of stability and order provides greater opportunity for economic growth and development. This economic prosperity would eventually lead to the desire for freedom, human rights, and democracy, completing the socio-economic-political circle. The question is: what price should a society incur to achieve stability and order, however important those goals may be?

Western culture that extols the individual, places individual freedom, human rights, and democracy high on the list of goals of good government. This perspective finds positive human interaction that is an outgrowth of individual freedom with democratic boundaries to be a precursor to societal stability.

In general, Westerners demand limits on government and authority and view individual rights and freedom as inviolable. Asians tolerate authority and call for the maintenance of stability and order. On an international plane, the tension between the two orientations has tended to work for the benefit of emerging nations.

In today's international arena, non-Western states have continued to embrace stability and order as a first priority, but the West, notably the United States, which has preached individual rights, freedom and democracy, has declined to intervene in conflicts where order has been preserved at the expense of human rights and freedom. The United States has, by inference, sanctioned an international norm of conduct that prizes stability and preservation of the status quo when these

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would be threatened by aggressive advocacy of individual rights and freedom. So there has been a de facto tolerance of individually intolerable situations such as those in Myanmar and Cambodia.

In Myanmar, Nobel Peace Prize winner Aung San Suu Kyi remained under house arrest by the military regime for half a decade and human rights and democracy were trampled upon because the international community has been unwilling to exert pressure on Yangon. In Cambodia, Pol Pot, under whose rule more than two million people died, remains at Anlong Veng, protected by a handful of Khmer Rouge soldiers, out of reach of international tribunals; and coup leader Hun Sen continues to rule while foreign governments express disapproval but continue to deal with him. To go after Pol Pot would be costly; to confront Hun Sen could lead to war with him. So it is easier to avoid actions that are costly than to advocate the principles and values that have formed the underpinnings of domestic and international policy.

The Asian Policy Research Institute and some academics have recently criticized ASEAN for being too "reactive" a body with its "non-interference" policy, and have urged ASEAN to adopt "constructive intervention". The absence of a movement seeking to restore the balance of individual versus collective good has threatened the well-being of large segments of the world's population. Encouraging ASEAN to a policy of "constructive intervention" seems to be a part of a public strategy to restore a balance in international affairs between societal stability and individual freedom. The upholding of the principles of individual human rights in Cambodia or in Myanmar would augment efforts to establish stability and order, peace and justice.

"A Model U.N. Success Story"

After the expenditure of so much money, time and effort on the U.N. peace plan, not to call the operation a success story would have been too public an admission of failure. "It was easier to keep claiming success",[6] despite contrary evidence.

The U.N. peace plan,[7] which represented the best hope for Cambodia in 1991 after wars had ravaged the country since 1970, was a well-written, well-regarded one. Unfortunately, it was never implemented properly to achieve the results the plan's authors intended. Conscious of the inability of the warring Khmer factions (the CPP, the Khmer Rouge, FUNCINPEC, and the Khmer People's National Liberation Front or KPNLF) to agree among themselves, the authors of the plan created UNTAC to run critical ministries such as foreign affairs, defence, finance, public security, and information until the 1993

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elections could produce a Cambodian government that would succeed UNTAC.

The concept of UNTAC running Cambodia indicated an understanding of the reality that investing the four factions represented in then Prince Sihanouk's Supreme National Council with real power would be utterly destructive to the country.

However, UNTAC doomed itself to failure early on when it defied its own plan to take over those critical ministries. UNTAC never removed Hun Sen's men from their posts. They remained in place after the 1993 elections that gave victory to FUNCINPEC, and consigned the representatives of the winning party, Ranariddh's FUNCINPEC, to working from hotel rooms and apartments.

Worse, Hun Sen who warned the United Nations of a civil war, never allowed all his troops to disarm according to the peace agreements he signed. On the other hand, the Khmer Rouge who refused to disarm, refused further to participate in the elections. Only Ranariddh's royalist forces, and the forces of the KPNLF that split between Son Sann and General Sak Sutsakhan, appeared to put their faith in disarmament. They complied in order to seek assurances to participate legitimately in the political process. When the elections were held, the Khmer Rouge sabotaged the elections, threatened and intimidated voters.

In both cases — non-disarmament and the Khmer Rouge's boycott and sabotage of the elections — UNTAC did nothing. To have acted may have meant war between UNTAC and Hun Sen, and between UNTAC and the Khmer Rouge. By doing nothing, armed conflicts were averted and delayed.

Hun Sen lost the 1993 elections. To soothe him, the United Nations and the peace plan's authors made a less than willing Ranariddh accept the position of first premier, and a satisfied Hun Sen, second premier.[8] As such, the 1.8 million Cambodians who voted for FUNCINPEC actually did not have their votes honoured by the world body — a failure of democracy from the beginning. For them, it was unjust and undemocratic.

In the face of the failure to disarm the Khmer Rouge and all troops loyal to Hun Sen; the Khmer Rouge's recalcitrance after the Paris Accords; and Hun Sen's threat to initiate a civil war, UNTAC did nothing. These failures planted the seeds that culminated in Hun Sen's coup in July 1997. Avoidance of conflicts by allowing violations of core principles and values sowed instability and disorder.

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Over-Exaggerated "Success"

The public show of withdrawal of Vietnamese troops from Cambodia in 1989 was unconvincing to seasoned observers, but did not prevent some countries from heralding the withdrawal as the fruition of efforts by the U.N. peace plan to bring stability to the region. More correctly, the Vietnamese troop withdrawal, to the extent that it occurred, was a long-term outcome of the winding down of the Cold War. The mid-1984 crisis in the Soviet Union caused by agricultural failure in the country; the decline of world petroleum prices that strained the Soviet economy and tripled Soviet borrowing from Europe and Japan to nearly three billion dollars; and the successful U.S. anti-ballistic missile testing over Kwajalein in the Pacific that ended any Soviet hope in Moscow's military superiority over Washington, ended the possibility of continued Soviet financial and material support for Vietnam's presence in Cambodia. Vietnam was forced to review its strategy in the light of diminished resources. At about the same time, Beijing's support for the Khmer Rouge, too, underwent revision. From a global context, it was only a matter of time that the fighting in Cambodia would stop. The U.N. peace plan landed at the right time.

Understanding the Khmer

Present circumstances in Cambodia are in part due to inadequate attention being paid to salient socio-psychological-cultural traits of the Khmer.[9] Specialists on Khmer culture are familiar with their essential characteristics, yet mistakes were repeated.

Efforts at grouping Khmer of profoundly different political/ideological convictions in the Coalition Government of Democratic Kampuchea (CGDK), formed by the Cambodians in 1982, sponsored by ASEAN, and backed by some Western powers and China, looked good from the outside, but there never was any real co-operation among the three factions, albeit they had one common enemy: Vietnam's occupation forces in Cambodia. Even genuine efforts by some promoters of close political and military collaboration between the non-communist royalist FUNCINPEC and the republican-oriented KPNLF backfired and led to the split in the KPNLF. The Joint Military Command (JMC) of the Armee Nationale Sihanoukienne (ANS) and the Khmer People's National Liberation Armed Forces (KPNLAF) had the approval of CGDK President Sihanouk. But as long as both groups were placed under separate organizations with different political leaders vying for power, even two groups that shared so much could not have a harmonious relationship. A tripartite relationship that included the hated Khmer

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Rouge was a bad dream. The non-communist Cambodian players rebelled against association with the Khmer Rouge, and it took great pressure from foreign backers before the CGDK could be formed. These same foreign backers later reprimanded the non-communist factions for soiling themselves with the Khmer Rouge.

In 1993, the FUNCINPEC-CPP coalition was created because Ranariddh felt he had no choice but to accept power-sharing. What would have happened if he had refused? He conceded, like others had during the national resistance of the 1980s. The same old proclamation of "success" of "national reconciliation" was made in 1993 and after.

There are aspects of the Khmer culture that have made it easier for these unwanted power-sharing arrangements to be accepted by Khmer who are alienated from one another. There is an overriding Khmer tendency to say what is expected, not what may be true. Often, Khmer from different political spectrums, brought together by foreign sponsors, smiled politely and courteously as Khmer usually do, and declared *Bat, Ban* ("Yes, Can Do"), and hugged and showed friendliness in public, only to duel behind closed doors, with *Awt Ban* ("Cannot Do"). Ranariddh and Hun Sen fooled foreign backers for a few years with such demonstrations in order to receive more foreign aid.

Khmer Buddhism has made the Khmer placid, peaceful, tolerant, accepting, respectful. But these Buddhists also believe in the Khmer warrior heritage.[10] Historically, the Khmer were valiant Angkor soldiers fighting to serve their emperor. Some warriors believed themselves invincible, ceasing combat against their enemies only in death. Even in death, their souls might fight on. One may smile at hearing that Khmer traditions tell that it takes seven generations to forgive and forget, but the core of this warrior heritage is the concept of one sun, one emperor, one nation in one universe. Compromise is thus an alien concept.

Much has been written about Hun Sen, the "naughty little son",[11] as King Sihanouk referred to him. William Shawcross, a Cambodia specialist, was quoted in the *New York Review of Books* nine months before the July coup that Hun Sen behaved like "an increasingly dangerous psychotic" and it was "foolish" of Washington to believe that he could assure "stability".[12] In a 1994 interview by an aide to Hun Sen, the aide asserted that Hun Sen "can't stand any other view, no matter how weak it is".[13] In 1993, he was so enraged by the news of his election defeat to Prince Ranariddh that he reportedly lifted a television set above his head and hurled it across the room.[14] Only recently, he threatened to shoot down any plane that would dare to fly Prince Sirivuddh, the King's half-brother and a political opponent, back to Phnom Penh from abroad; and the U.S. Federal Bureau of Investigation

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(FBI) reportedly implicated Hun Sen's men in the hand grenade attack that killed 16 protesters, wounded some 150 others, and nearly killed opposition leader Sam Rainsy of the Khmer Nation Party in March 1997. A son of a farmer from Kompong Cham, Hun Sen, now 46, is said to have been given one million dollars to carry out the coup.[15]

It was Hun Sen who was congratulated for "statesmanship" in 1996 by then U.N. Secretary-General Boutros Boutros-Ghali; it was Assistant Secretary of State Winston Lord who called Cambodia "a model U.N. success story" in 1995; and it is U.S. Ambassador Kenneth Quinn who has objected to congressional calls for the United States to take a tougher stand on human rights in Cambodia.[16]

Charges and Counter-Charges

Hun Sen justified events on 5–6 July 1997 by asserting charges against Ranariddh: secret negotiations with the Khmer Rouge; illegal infiltration of Khmer Rouge units to secret garrisons in Phnom Penh; illegal shipments of arms to Phnom Penh; and initiating a campaign of violence and intimidation.[17] Ranariddh has denied the charges. At a press conference on 10 July 1997, the Prince maintained that using force to replace him constituted a *coup d'etat*, and gave four reasons for Hun Sen's actions:[18]

1. Hun Sen feared that his CPP would lose in the 23 May 1998 elections (should Ranariddh and FUNCINPEC not be stopped now);
2. the FBI's inquiry into the March hand grenade attack implicated Hun Sen's personal security guards (Hun Sen feared this could damage him during the electoral campaign);
3. the U.S. Drug Enforcement Agency (DEA) had identified 600 tons of the world's marijuana as having origins in Cambodia (Hun Sen has been accused of having drug-trafficking connections); and
4. Hun Sen did not want Ranariddh to bring Pol Pot to trial by international tribunals (Hun Sen must fear being implicated for genocide along with Pol Pot).

The Khmer Rouge

The courting of the Khmer Rouge by both Ranariddh and Hun Sen was a public secret. Both FUNCINPEC and the CPP competed in talking to Pol Pot's lieutenant, Ieng Sary, in early Fall of 1996. When Ieng Sary defected to Hun Sen and brought him lucrative access to the gem-rich region of Pailin, Hun Sen and Ranariddh convinced King Sihanouk to

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give Ieng Sary royal amnesty. Hun Sen knew that Ranariddh wanted to bring Khieu Samphan and Anlong Veng under the royal wing. Each had his own reasons for courting the Khmer Rouge. The next elections were only months away. Ranariddh's "success" in bringing Pol Pot to an international tribunal would boost his prestige domestically and internationally.

Logically, Khmer Rouge leaders of Anlong Veng, who knew that their return to power in Cambodia was no longer possible, would not want to keep Pol Pot if handing him over to Ranariddh would get them something in return, as Pol Pot had become a political liability to the organization he once led. Was it royal amnesty for the remaining Khmer Rouge leaders? Or integration of the "new" Khmer Rouge into Cambodia's political life? A conclusion reached in numerous reports, such as those of the *Far Eastern Economic Review* and others, about the "end of the Khmer Rouge"[19] should surely be reworded. There has not been any "end of the Khmer Rouge", only a calculated "end of Pol Pot" by Khmer Rouge design to save the movement. Had there been no coup by Hun Sen in July 1997, the "new" Khmer Rouge might have found themselves a place in Phnom Penh in one capacity or another in exchange for the surrender of Pol Pot.

The irony is that Ranariddh's military chief Nhiek Bun Chhay's negotiations with the Khmer Rouge were known to Hun Sen and to all foreign governments concerned. Why is it only now that Ranariddh has been ousted, a warrant for his arrest has been issued, and the King's appeal for "talks" and his offer to mediate have been rejected, that some of these foreign governments have taken issue with Ranariddh's Anlong Veng misfortune? If Ranariddh had succeeded in bringing Pol Pot to an international tribunal, he would have been extolled for his achievement by these same foreign governments.

With the seizure of weapons by Hun Sen in May 1997, armed confrontations between the forces of the two Cambodian prime ministers were a natural outcome. Soldiers with fingers on the triggers did not think of the consequences of pulling the triggers. And the warriors were more ready for combat than their chiefs.

On 18 June, a day after the security forces of both premiers fought in the streets of Phnom Penh, killing two of Ranariddh's men, Hun Sen demanded that Ranariddh end his negotiations with the Khmer Rouge at Anlong Veng. "I give you only a few days to decide whether to carry on the work in the coalition government or go to work with the government of Democratic Kampuchea led by Khieu Samphan.[20] Ranariddh's men may have convinced the Prince to leave the country to give them room to manoeuvre. The Prince left Cambodia.

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Human Rights Violations

While Hun Sen's actions to oust Ranariddh have been denounced, it has been the atrocities during and after the coup that have upset many, especially the non-governmental human rights and pro-democracy groups operating in the country.

Thus, there was fighting in July 1997, and looting, and killings. FUNCINPEC's Secretary of State for Interior, General Ho Sok, was arrested and executed in the ministry's offices. Others murdered while in custody included General Chao Sambath, General Men Bunthan, General Ly Seng Hong, General Kruoch Yoeum... Bodies of soldiers loyal to Ranariddh were found with gunshot wounds, handcuffed and gagged; there were reports of bodies with eyes gouged out. On 10 July, while ASEAN decided to delay Cambodia's entry to that group, Amnesty International noted: "People have been summarily executed, apparently solely on account of whom they once worked for", and called for access to detainees for the International Committee of the Red Cross (ICRC) and the United Nations Centre for Human Rights (UNCHR).[21] A day later, Amnesty International Secretary-General Pierre Sane told Hun Sen in an open letter: "Your assurances to the international community that `there is no persecution' are simply not borne out by the systematic campaign of arrests, harassment and even killings conducted by your forces in recent days against your political opponents". He asked Hun Sen and the signatories of the Paris peace accords to live up to the "solemn commitment" to human rights and fundamental freedoms in Cambodia.[22] On 15 July, 48 international non-governmental organizations and 37 local ones joined in an "NGO Forum" and declared: "The killings, ongoing intimidation, and violence throughout the country must be stopped immediately".[23] From Beijing, where King Sihanouk had been undergoing treatment since February 1997 for cancer, stroke, and cataract, the monarch declared that he was "profoundly distressed at the reports" of cruel torture and killings without mercy after "enemies" had been arrested or captured.[24]

Hun Sen has been criticized and accused, not so much by foreign governments some of which have appeared to want to get back to business with him in Phnom Penh, but by international and local human rights groups, comparing him to Pol Pot. On 20 August, Hun Sen aired a speech on Cambodia's national radio demanding that the United Nations apologize for false reports that his forces had executed at least forty supporters of Ranariddh.[25] He asked the United Nations to replace its UNCHR human rights monitors. Just before the U.N. Secretary-General's human rights special representative Thomas Hammarberg of Sweden arrived in Phnom Penh on 30 August to

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discuss human rights violations, Hun Sen renewed his call for the replacement of UNCHR human rights workers. In New York, U.N. Security Council President, Sir John Weston of Britain, told reporters on 27 August of the Council's increasing concern about the safety of its human rights monitors.[26] Two days earlier, New York-based Human Rights Watch Asia asserted that "findings by human rights investigators indicate that the extra-judicial executions are continuing".[27]

In Phnom Penh, where talks with Hun Sen over "extra-judicial killings and tortures" were held, Hammarberg said he told Hun Sen to "initiate investigations into each of the [execution] cases", to set up "a comprehensive" and "impartial inquiry to look at everything that happened when it comes to human rights in July" and to "give recommendations of what can be done to ascertain that this can never happen again".[28] Thus, strongman Hun Sen, known for his "bare-knuckled politics",[29] was challenged. On 5 September, a twenty-five-page report entitled "Memorandum to the Royal Government of Cambodia, Evidence of Summary Executions, Torture and Missing Persons Since 2–7 July 1997" dated 21 August 1997 was released to the press. The report presented information collected and verified by the UNCHR concerning forty-one, and possibly up to sixty, politically motivated "extra-judicial executions committed by security personnel in their custody against persons, most of whom were affiliated with the FUNCINPEC party" since the six days of the 2–7 July "military coup". "Each instance has been carefully verified on the basis of more than one eyewitness testimony as well as other corroborating evidence, photographic or documentary, when available."

Further Unfolding of Events

There is a quagmire for Hun Sen in Cambodia, and he can be taken down by the quicksand should Cambodians and their foreign supporters agree. Cambodia's wheel of history has entered a new revolution. The country appears to be at the beginning of another period of protracted civil conflict between Hun Sen and many who abhor him. Standing and watching is a world that controls the elements that could precipitate Hun Sen's success or failure. As the *Washington Post* editorialized: "Japan, the US and other donors still account for nearly two-thirds of Cambodia's governmental income. Their failure to use this leverage more efficiently has been scandalous."[30] King Sihanouk commented on the dealing with Hun Sen by foreign countries: "So go the lives of nations".[31]

Before he left Beijing on Friday, 29 August to fly directly to Siem Reap to participate in Buddhist prayers for peace and to be "far away

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from the politicians in Phnom Penh", King Sihanouk appealed for a cease-fire between the soldiers loyal to his son, Prince Ranariddh, and those under Hun Sen's command. Ranariddh, too, had appealed from Bangkok on 26 August to welcome the King's return by declaring a cease-fire. The response from Phnom Penh through Hun Sen's man in the Information Ministry was blunt: "It is easy. He [Ranariddh] just has to give up fighting, hand over the arms and surrender to the government". Hun Sen also ruled out Ranariddh's future participation in the 1998 elections.[32]

Once in Siem Reap, the King repeated his appeal for a cease-fire. "No, no, no", Hun Sen was reported to have answered to reporters' questions in Phnom Penh. The King also awarded one of Cambodia's oldest royal orders, The Royal Order of *Sahametrei*, to eight UNCHR human rights monitors and one representative from Amnesty International, for exceptional service to the Khmer nation — the human rights workers Hun Sen wanted to expel. U.N. special representative Hammarberg said, after meeting with King Sihanouk, that the King was shocked by human rights violations and expressed support for the missions of the U.N. human rights workers.[33]

Although royal calls for a cease-fire were rebuffed by Hun Sen, King Sihanouk made another move. On 31 August, he offered to mediate an accord between Hun Sen and Ranariddh, or the latter's representatives.[34] He also declared that he could never accept a dictatorship in Cambodia.[35] On 2 September, King Sihanouk's offer to mediate was also rebuffed. A three-page letter signed by Hun Sen and Ung Huot asked the King to meet first with FUNCINPEC soldiers who had "defected" to the Phnom Penh side, before holding any talks.[36] The letter reiterated Phnom Penh's call to Ranariddh's soldiers (and of course all of Ranariddh's supporters who had fled Phnom Penh) to return to their old positions in a blame-free offer, except for three men, Prince Ranariddh, General Nhiek Bun Chhay (Deputy Chief of Staff before the coup), and General Serey Kosal (former Deputy Governor of Battambang), who must be brought before a military court — a divide and rule tactic.

In another move that was interpreted by some as the King's endorsement of Hun Sen and Ung Huot, King Sihanouk signed and forwarded Cambodia's credentials letter to U.N. Secretary-General Kofi Annan naming Hun Sen and Ung Huot as heads of Cambodia's delegation of twenty-six officials to the 52nd meeting of the U.N. General Assembly (UNGA) , which started on 16 September.[37] The King's accreditation letter brought an exchange of emotional letters between father and son.[38] Sihanouk said he was "resigned" to being "killed between the hammer [of his son's supporters] ... and the anvil [of Hun

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Sen's]". An old hand at Khmer politics, on the face of it, this realist seems to have chosen the avoidance of a war with Hun Sen over principles in which he and his son believe.

But King Sihanouk is also a complex man whose political moves have bewildered analysts in the past. Could Sihanouk have signed the accreditation letter to force these unpalatable representatives on a world community that had not yet demonstrated the moral conviction to isolate them? A Western business analyst "hope[s] Hun Sen survives" to provide some "long-term stability", a sentiment echoed by investors that included Malaysian companies.[39] Blatantly, business groups from the United States, Macau, Malaysia, and Thailand are competing for a chance to operate a US$11 million gambling casino and entertainment complex on Koh Kong island, to be completed in December 1997.[40]

Cambodia's Foreign Supporters

In late July 1997 in Kuala Lumpur, representatives of the United States and its allies (representatives from Australia, Japan, China and ASEAN) were reported to be "closing ranks" in their vision of a "new" peace plan for Cambodia that comprised a set of general principles to include the guaranteed safe return of those who fled Cambodia after the coup; that the May 1998 elections be held and all parties be allowed to compete freely; that Hun Sen's security guards of 1,500 well-armed soldiers be downsized.[41] In Washington, State Department spokesman Nicholas Burns claimed a surprising "uniformity of views" on Cambodia among representatives, and declared that the "onus is on Hun Sen".[42] Hun Sen's actions, however, did not convey the picture that he felt the onus was on him.

On 4 September, at the hearing of the East Asian and Pacific Affairs Subcommittee of the U.S. Senate Foreign Relations Committee, Republican and Democratic members of the subcommittee and expert witnesses had harsh words for the Administration.[43] Subcommittee chairman, Wyoming Senator Craig Thomas (R) blasted the Administration for failing to call Hun Sen's actions a coup. No less critical was ranking Senator John Kerry (D) who stressed: "it's more than irony — that we wouldn't call it a coup when in fact it was clearly a coup. The signal that it sends is really rather extraordinary". Gary Adams, who spent the last four years with the UNCHR in Cambodia, had this to say at the hearing:

> The international community has to, in a uniform manner, isolate Hun Sen. I think it's wrong to meet with him right now. I think it's wrong to meet with him in the near foreseeable future. There is

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nothing to discuss with Hun Sen. He makes commitment after commitment in meetings and changes his mind the next day, or he completely ignores what he says. There's just not an honest dialogue to be had with him.

At the hearing, Assistant Secretary of State for East Asia and the Pacific, Stanley Roth, sketched some objectives of U.S. policy in Cambodia to include: safe and unrestricted activities by all Cambodian political parties in a free and fair election in 1998; a free press and independent judiciary, and a commitment by all Cambodian parties not to use force to resolve disputes.[44] The senators were not impressed. How many of these objectives will be achieved with Hun Sen in power? They charged the Administration with having "dropped the ball" by dealing with Hun Sen and refusing to call his actions a coup.

Roth told the subcommittee that he was going to Japan and the Asian countries to "push hard" for Japan to take a stronger stand about aid to Cambodia. Washington "indefinitely" suspended some US$60 million in aid to Phnom Penh, but continued some US$22 million in humanitarian aid to the Cambodian people. Roth's trip was to convince other countries to follow the U.S. example. Japan gives about US$70 million annually to Cambodia. Roth told the subcommittee: "It's an important signal to all the key players in Cambodia that the Congress and the executive are united in their determination not to return to business as usual" with Phnom Penh.

In Phnom Penh, Cambodian Minister for Economics and Finance, former Khmer Rouge Keat Chhon warned that since Phnom Penh depends on foreign aid for about half of its national budget, Cambodia's failure to receive about US$100 million this fiscal year will hurt.[45] He revealed that Cambodia's economic growth this fiscal year has been slashed by more than half, from a projected 6.5 per cent to about 3 per cent, as a result of the fighting in July. The business community confirmed that the fighting has seriously hurt business, and many millions of dollars of contracts have been cancelled following Hun Sen's coup. By the end of September, the International Monetary Fund and the World Bank had suspended financial aid to Cambodia, citing corruption in the government; and Germany joined the United States to cut off aid to Phnom Penh.

General Weariness

Confronted with intractable problems that have not been resolved despite formidable infusions of time and money from the world community, a general weariness among those concerned with Cambodia is

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understandable, regardless of how much they believe in democratic principles and values and care for the Cambodian people.[46] An editorial in the Singapore *Straits Times* of 27 September summed it all up: "Lawlessness, corruption, poverty, political intrigue — you name it, Cambodia has it all".

Cambodian democrats have not emerged as a cohesive, well-organized movement to counter the better equipped and more ruthless non-democratic groups under Hun Sen or the Khmer Rouge that could force their will on society. Because Hun Sen is in power, a world that wants to avoid getting bogged down in conflicts opts to deal with him even if they do not like him. He is the power, he is the one to deal with. It has been mentioned that Ranariddh is like a butterfly who cannot be taken seriously. The world seems to have more respect for tyrants not because it prefers a tyrannical regime but because the tyrants are simply there and business needs to be conducted. Some call this pragmatism, and so pragmatism becomes more important than core principles and values.

Weariness is not the province of the international community alone. For the most part, Cambodians, too, are tired of their country's problems. Many are tired of their leaders who seem unable to solve any problems confronting the nation. The monarchy was destroyed by the republic, which was more corrupt; a communist system under the Khmer Rouge killed hundreds of thousands; that under another communist system sold itself and the nation to Vietnam's subjugation. The United Nations came, spent US$6,000 or more a month to rent a single house; its young peacekeepers were defended by their chief for taking rapacious pleasure from young Cambodian women; law and order were supposed to be the order of the day, yet the Khmer Rouge arrested and detained the peacekeepers themselves. In the end, all the preaching on democracy, freedom, and human rights have no meaning since those who lived by those principles have been hurt and those who did not, remain free.

The problem is, weariness in the international community is only a short step away from surrendering to tyranny. Weariness among Cambodians breeds negative attitudes and resentment towards authority, a short step away from social breakdown. Cynicism and contempt are not signs of good citizenship.

Cambodia's Future

Cambodia's future is bleak. Democratic forces in opposition to Hun Sen have been impeded by the emerging norm of avoiding conflicts to maintain stability even if stability undermines the development of

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improved human and civil rights. Nevertheless, persistent rumours of conflicts within the CPP and of mounting societal discontent caused by Hun Sen's July 1997 power grab should neither be discarded nor accepted at face value.

Hun Sen may have faced a temporary setback when only sixty-seven of the ninety-seven National Assembly members present approved his attempt to reshuffle the Cabinet on 11 September to replace four of Ranariddh's ministers who had fled the country and to create three new deputy premier posts. He had the numbers to his advantage, as a demonstration that democracy is not dead in Cambodia. But this same National Assembly also voted an election law that bars convicts from being a candidate, thus effectively blocking Ranariddh, who is facing arrest, from re-entry into Khmer politics.[47] Whereas sixty newspapers were published before the coup, only eight remain open after the coup. The shutting down of the opposition newspaper *Prayuth* (The Fighter) for thirty days in the midst of accusations by the U.N. human rights workers, led the Paris-based *Reporters Sans Frontieres* (Reporters Without Borders) to write an open letter to King Sihanouk calling that act "a new hindrance to press freedom".[48] The conviction of Srun Vong Vannak of the steering committee of the opposition Khmer Nation Party to thirteen years in prison on 9 September created an uproar. It was called a "Stalinist Trial" by Party President Sam Rainsy, who said it "forced confession and fabricated evidence" in order to get to Sam Rainsy himself.[49] Hun Sen's reign of terror has continued.

The international community, unwilling to risk a war with Hun Sen to redress his power grab of July 1997, has placed its hope on a free and fair election in 1998 that would somehow "solve" the Khmer tragedy. It seems a vain and false hope when one considers that in 1993, under the watchful eye of 22,000 peacekeepers after an investment of US$2 billion, the franchise rights exercised by the people were soon betrayed by the world body. Neither is the Khmer Rouge question going away. UNTAC recognized the rights of the Khmer Rouge to participate in the 1993 elections. In accordance with the basic democratic principles of political equality and free competition, is the world body going to allow them to participate in the elections this time round?

After the May 1998 elections, the terms "national reconciliation" will be household words again, key Cambodian players will speak to one another and to their foreign supporters, *Bat, Ban*. There will be self-congratulatory applause that Cambodia has returned to some level of stability and order. But the Khmer suns will continue to try to eclipse one another again, and Khmer history will repeat itself, with bigger fish eating smaller fish until there is no fish left to eat. In an interview in

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New York at the end of September, Prince Ranariddh urged that "a strong message" be sent to Hun Sen: "If you are gentle with him, he will not understand. To a gangster, you have to talk like a gangster."[50]

Hun Sen may be in power now, a man who is his own worst enemy, a man who displays greed, a violent personality, arrogance, and oppression. There cannot be stability and order in Cambodia with Hun Sen behind the wheel. There cannot be because stability and order have as a prerequisite a society driven by core principles and values that respect freedom and human rights as guides to the members of the society. Hun Sen has crushed those principles and values. Since he is a leader in transition, he should be isolated. His promises to resign should not be heeded.

New York-based Human Rights Watch Asia's warning needs to be repeated: "It would be a grave mistake for the international community to see elections in and of themselves as the solution to human rights violations."[51]

NOTES

1. In a prepared interview statement of 10 August, Hun Sen spoke of the events of 5–6 July: "[I]t was neither a *coup d'etat*, a power usurpation, a conflict between CPP and FUNCINPEC, or Hun Sen and Ranariddh. It was not a revolution either". See "Interview Granted by Samdech Hun Sen, Second Prime Minister, to James G. Zumwalt, a Marine Veteran of the Gulf and Vietnam Wars and frequent contributor to *The Washington Times* on 10 August 1997" (Washington, D.C.: Royal Embassy of Cambodia, 1977). The chairman of the East Asian and Pacific Affairs Subcommittee of the Senate Foreign Relations Committee, Wyoming Republican Senator Craig Thomas, told the senate hearing on 4 September: "When the legitimately elected leader of the majority part of a coalition government is driven from the country by the minority force; when his troops and supporters are attacked and fired on and arrested and detained; when several high level members of his party and his cabinet are arrested and executed, when a majority of the members of the majority party steering committee flee the country for fear of their lives, when a rump parliament elects, under the effective control of the CPP, a replacement for Ranariddh under dubious circumstances, then, in my view, a coup is pretty clear". See Camnews Internet, "Political Crisis in Cambodia: Hearing of the East Asia and Pacific Affairs Subcommittee of the Senate Foreign Relations Committee", 4 September 1997.
2. *Washington Post*, 22 and 24 July 1997. Western military sources in Phnom Penh claimed that Teng Bunma gave Hun Sen Russian-made Mi-26 transport helicopters piloted by hired Russian crews to transport troops to northwestern Cambodia to battle troops loyal to Ranariddh, and intelligence sources claim that the helicopters have been used to transport Southeast Asian heroin to Cambodia. Ibid.
3. Royal Embassy of Cambodia, *News Release* (Washington, D.C., 6 August 1997).
4. Hugh Watkin, *Voice of America*, 9 August 1997.
5. *Reuter*, 9 August 1997.
6. Fred Hiatt, "WP: Bosnia and Cambodia", *Washington Post*, 13 July 1997.

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7. Security Council, United Nations General Assembly, *Statement of the Five Permanent Members of the Security Council of the United Nations on Cambodia* and *Framework for a Comprehensive Political Settlement of the Cambodian Conflict*, A/45/472 and S/21689, 31 August 1990. See also Abdulgaffar Peang-Meth, "The United Nations Peace Plan, the Cambodian Conflict, and the Future of Cambodia", *Contemporary Southeast Asia* 14, no. 1 (Singapore: Institute of Southeast Asian Studies, June 1992).
8. Robin Mcdowell, *Associated Press News Analysis*, 8 July 1997.
9. See Abdulgaffar Peang-Meth, "Understanding the Khmer: Sociological-Cultural Observations", *Asian Survey* 31, no. 5 (May 1991).
10. See Seanglim Bit, *The Warrior Heritage: A Psychological Perspective of Cambodian Trauma* (El Cerrito, Calif.: Seanglim Bit, 1991).
11. Mcdowell, *Associated Press*, 10 July 1997.
12. Hiatt, op. cit.
13. Mcdowell, *Associated Press.*
14. Ibid.
15. *Washington Post*, 24 July 1997.
16. Hiatt, op. cit. California Representative Dana Rohrabacher of the House International Relations Committee requested Secretary of State Madeleine Albright to release all diplomatic cables and correspondence from March to mid-July to verify press reports and eyewitness accounts that Ambassador Kenneth Quinn and his embassy staff "sent wrong signals to Hun Sen and denied sanctuary for advocates of democracy" (see the *Washington Times*, 27 August 1997). On 13 July, the *Washington Post* reported that Quinn had advised Washington to avoid alienating Hun Sen, the most powerful politician in Cambodia. The *Wall Street Journal* of 19 June charged that the United States was "a party to that [United Nations'] undemocratic decision to install Hun Sen as co-premier 'in the name of national reconciliation' from the beginning and has barely hidden its preference for Leninist-savvy Hun Sen — described at the State Department as the only man capable of doing the job — over the weak Ranariddh. When Hun Sen took a helicopter ride last December to welcome some Khmer Rouge defectors, Ambassador Quinn rode with him as guest of honor. Is it any wonder if non-communist Cambodians feel that their only chance of survival is to get as many guns on their side as Hun Sen has on his?"
17. See Hun Sen's interview of 10 August 1997, and Phnom Penh's deputy permanent representative to the United Nations Ouch Borith's press conference in New York on 19 August. See also Hun Sen's *White Paper* released in July dealing with "Prince Ranariddh's Strategy of Provocation" which spoke of the secret build-up of FUNCINPEC military units around Phnom Penh and the secret infiltration of Khmer Rouge units into Phnom Penh; as well as Ranariddh's alliance with Pol Pot to destroy the CPP and Hun Sen, as reasons for the events in July. Yet human rights monitors of the UNCHR and the ICRC who visited detention centres where hundreds of soldiers loyal to Ranariddh were held in Phnom Penh, reported that they had found "no evidence" to back Hun Sen's claim that Ranariddh had brought Khmer Rouge soldiers into Phnom Penh: "If there were Khmer Rouge soldiers captured in the aftermath of July 5–6 fighting they have not been accounted for"; "[e]ither there never were any or they have gone missing since the fighting". See Reuter, 18 July 1997. The *New York Times* of 21 August reported that the UNCHR had compiled information on high ranking Khmer Rouge officials who had defected to Hun Sen's CPP.

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18. "Press Conference by First Prime Minister of Cambodia", 10 July 1997, Camnews Internet.
19. See in particular, *Far Eastern Economic Review*, 7 August 1997.
20. Katya Robinson, Reuter, 18 June 1997.
21. Camnews Internet, "Cambodia Killings Must End".
22. Amnesty International, "Open Letter to Second Prime Minister Hun Sen from Amnesty International Secretary General Pierre Sane", 11 July 1997, Camnews Internet.
23. Camnews Internet. At the United Nations, Secretary-General Kofi Annan expressed regret over the loss of lives, including that of the daughter of the U.N. Security Unit Radio Operator, and dismay for "the death in custody" of Gen. Ho Sok. See "Secretary-General, Gravely Concerned over Recent Events in Cambodia, Calls for Negotiated End to Current Political Crisis", SG/SM/6281, 8 July 1997. On 20 July, the Associated Press reported a case of "systematic torture of soldiers" in Cambodia, as cited by the United Nations and Amnesty International human rights monitors: Hun Sen's Regiment 911, specially trained in Indonesia, captured 30 FUNCINPEC soldiers, held them for ten days in a tiny cell where they were forced to sleep standing up, to drink sewage, were beaten with sticks, belts, and in one case, barbed wire, with metal clamps attached to their fingers, to extract concessions.
24. Reuter, 16 July 1997.
25. *New York Times*, 21 August 1997. Hammarberg condemned the coup and accused Hun Sen of ruling by "fear and intimidation".
26. Reuter, 27 August 1997.
27. Reuter, 25 August 1997.
28. *Voice of America*, 2 September 1997. Reuter of 27 August reported that Hun Sen had said he was setting up a body comprising three members from the non-governmental organizations and two government advisers to monitor human rights in Cambodia. In Bangkok where dozens of opposition politicians, journalists, government officials, and at least fourteen legislators sought refuge after the coup, the Union of Cambodian Democrats (UCD), which included the opposition Khmer Nation Party, FUNCINPEC, and the Buddhist Liberal Democratic Party (BLDP), and which had rejected Ung Huot's appointment to replace Ranariddh as illegal since it was held in "an atmosphere of intimidation and fear", declared through Sam Rainsy: "Personal guarantees of safety is just (*sic.*) one element of the whole picture"; "Safety is fine, but what can we do in Cambodia? Can we do our jobs?" "If we cannot voice our opinions and prepare the (1998) elections to be free and fair, we will just provide an endorsement of Hun Sen". See Elizabeth Moorty and Jason Barber, "Exiles Vow No Return Yet", *Phnom Penh Post*, 15–28 August 1997.
29. *Asian Wall Street Journal*, 2 September 1997.
30. *Washington Post*, 26 August 1997.
31. Weekly political commentary in Khmer by Prak Rin, Cambodian Radio of Washington (WUST, AM 1020 on Thursdays), broadcast of 21 August 1997.
32. Associated Press, 26 August 1997.
33. Reuter, 4 September 1997. Speaking of the work of the U.N. human rights monitors, Hammarberg said: "Everything I have seen has been very impressive" and "I think they have done a good job under difficult circumstances. They have been very careful with information". Ibid.
34. Associated Press, 31 August 1997.
35. Reuter, 31 August 1997.
36. Agence France Presse, 2 September 1997.

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37. Agence France Press, and Reuter, 6 September 1997.
38. Ranariddh wrote to his father that the latter's accreditation letter would be interpreted as the King's *de facto* and *de jure* recognition of Phnom Penh, and that "It is unjust for our victimized people to be represented at the world assembly by a bloody prime minister, Pol Pot II, and a puppet". See Agence France Presse, 8 September 1997. In his response, Sihanouk wrote: "living in my country and not abroad anymore, I cannot avoid signing letters of accreditation and decrees which are submitted to me by the National Assembly and the royal government based in our capital". See Reuter, 8 September 1997. While Ranariddh saw the letter as being "catastrophic" for the resistance, Sihanouk snapped back: "You shouldn't underestimate our people", and "It is not the signature of a Norodom Sihanouk on a letter of accreditation that decided which regime rules the country ... It is our people who are the best judge and who will in the end be the judge of each and everyone of us". See *Straits Times*, 11 September 1997. Ranariddh appealed to his father to lead the Cambodian delegation to the UNGA as "the last and most elegant resort". See Agence France Presse, 11 September 1997. However, when the nine-member U.N. credentials committee met behind closed doors on 17 September, the Russian and Chinese representatives favoured the seating of Hun Sen and his delegation, since King Sihanouk had signed the accreditation letter, but the Americans, backed by the Norwegians, opposed. As State Department spokesman James Rubin put it: "The United States will not be in a position to concur in the seating of a Cambodian delegation which represents a regime that seized power through undemocratic means" (see Reuter, 18 September 1997). The credentials committee adjourned after leaving Cambodia's U.N. seat vacant indefinitely. Hun Sen and Ung Huot called the committee's decision "an insult" to the Khmer King, and a crime of *lese majeste*. Hun Sen threatened to suspend co-operation with the United Nations, declaring U.N. representatives in Cambodia to be "on vacation" until the issue of Cambodia's vacant seat is resolved (see Associated Press, 24 September 1997). On the other hand, King Sihanouk objected to freezing ties with the United Nations: "I have never thought, don't think and will never think to break my kingdom's relations with the United Nations, to which Cambodia owes much". See Agence France Presse, 22 September 1997.
39. *Asiaweek*, 12 September 1997.
40. United Press International, 9 September 1997.
41. *Washington Post*, 27 July 1997.
42. Ibid.
43. Camnews Internet. Also refer to the Voice of America and Associated Press, 4 September 1997.
44. Ibid.
45. Voice of America, 1 September 1997. The International Monetary Fund (IMF) Managing Director and the World Bank President lashed out at Cambodia's "cancer of corruption". The IMF put its US$120 million three-year loan to Cambodia on hold "because of the problems of governance which concern corruption and logging". See Reuter, 24 September 1997.
46. An ASEAN diplomat who had "reached the limit of his tolerance" said "it was time Cambodians stopped believing that the world owed them a living", while another was quoted as saying that Cambodian leaders "are so vain. They like to fight among themselves, so let them fight". See *Straits Times*, 26 September 1997.
47. FUNCINPEC ministers Veng Sereyvuth (tourism), Hong Son Huot (rural development), Tao Seng Huor (agriculture), Lah Tol (education) who fled the country after the coup, were to be replaced with rival FUNCINPEC members who had chosen to

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follow Hun Sen; two of the three deputy premier posts were to be awarded to FUNCINPEC Tea Chamrath, and BLDP-defector Ieng Mouly. See Agence France Presse, and wire services of 11 September 1997.

48. Associated Press, 10 September 1997; Agence France Presse, 11 September 1997.
49. *China Morning Post*, 10 September 1997. See Sam Rainsy's statement dated 10 September 1997 in Paris, "Srun Vong Vannak, Victims of a Stalinist Trial", in Camnews Internet.
50. *New York Times*, 28 September 1997.
51. *New York Times*, 21 August 1997.

ABDULGAFFAR PEANG-METH is Associate Professor of Political Science at the University of Guam, USA.

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Institutions and Actions in Vietnamese Foreign Policy-making: A Research Note

ZACHARY ABUZA

Since the 1986 implementation of Vietnam's economic reform programme, doi moi, *Vietnam's foreign policy-making process has been decentralized. As Vietnam's security was threatened throughout its post-colonial history, foreign policy was monopolized at the highest echelons of power. Although the Vietnam Communist Party remains at the apex of all policy-making, leadership transitions, a peaceful international environment, the need for consensus building, the separation of Party and State functions, the rise of technocrats, and the need for expert advice, have all contributed to the broadening of Vietnamese foreign policy-making.*

There have been a number of analytical studies, especially since the Sixth Congress of the Vietnamese Communist Party (VCP) which adopted the policy of *doi moi* (renovation), on Vietnam's foreign policy. Most of these studies have looked at why Vietnam changed its foreign policy: whether it was a change in the leadership's "world-view",[1] or the breakup of the Soviet Union, or the overwhelming need for economic reform.[2] Yet no study has focused on *how* Vietnam's foreign policy is formulated. Who are the primary actors and what have they changed since the introduction of *doi moi*? Were General Secretary Nguyen Van Linh's organizational reforms that attempted to separate the functions of the Party and the State successful?[3] What are the implications of those reforms on the foreign policy-making process?

One of the reasons that few writers have addressed the foreign policy-making process is that Vietnamese foreign policy-making is

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highly centralized at the top echelons of the Party and State. Most simply assume, perhaps correctly, that Vietnamese foreign policy is decided by a handful of senior Politburo officials. Because Vietnam was in a state of war for most of its post-colonial existence, foreign relations were a matter of survival, and thus monopolized at the highest level. No doubt, the Politburo does have the ultimate authority, especially in setting the "line". But there are other institutions and actors who are involved in the policy-making and implementing stages, especially since the advent of *doi moi*. Moreover, we have to look at where the top decision-makers get their information from. What institutional bias has gone into the information they receive? Vietnam's foreign policy-making process is clearly not pluralistic; different actors are becoming involved. As Quansheng Zhao has noted with regards to China:

> Foreign policy making in China is no longer the domain of a paramount leader acting through a vertical command channel with a fundamental unified policy. Foreign policy decisions are now made by several discrete power bases coordinated at the centre, with multiple command channels reflecting different issues and policies.[4]

Zhao's point is that two trends have accompanied reform: decentralization of decision-making authority, and the need for expert advice. So, too, will these trends take place in Vietnam. First, with each leadership transition, central authority declines. The result of this "authority deficiency" is an increase in consensus building and inter-bureaucratic bargaining. As no élite will be able to act autonomously, all policy-making becomes subject to a greater degree of bargaining among government ministries. Secondly, Vietnamese foreign policy-making was concentrated in the past because the survival of the nation was constantly at stake. The current international situation is very favourable for Vietnam. For the first time in its post-colonial history, it does not face an overwhelming security threat. As foreign policy becomes less a matter of "high politics", the VCP can be expected to step back and allow government functionaries to take over its responsibilities. Thirdly, the present leadership has much less broad experience than in the past. They are functional experts rather than political generalists. With a diversified economy and a less-defined international situation, there is a need for specialists.

Communist systems are dominated by the practice of interlocking directorates, whereby the top government officials are also the top party officials. Vietnam is no exception. Despite General Secretary Linh's attempts between 1986 and 1991 to separate the functions of the

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Party and State that were so fused during the reign of Le Duan, there was tremendous resistance, especially by conservatives in the Central Committee, to the redistribution of power. The VCP remains the key loci of decision-making.

Vietnamese Communist Party

The Central Committee

Gareth Porter notes that between National Party Congresses (NPC), the Central Committee (CC) is the "supreme leading organ of the VCP".[5] It meets biennially to set all major foreign and domestic policies, and monitors policy implementation through its specialized committees. The CC has grown in both size and importance during the reform era and,[6] as Lewis Stern argues, since 1986 the CC has taken on a much more aggressive role in the decision-making process, actively debating policies and challenging the government.[7]

Despite its power to select the Politburo and the Secretariat and to approve major policy changes,[8] the Central Committee has little power over the foreign policy-making process. It can influence the process indirectly by serving as a "selectorate" to whom the élite will be responsible. As Robert Putnam notes, the "behaviour of leaders is guided by their perception of the interests, wishes, and demands of those who control their tenure in office".[9] Yet, only a handful of CC members have experience in foreign affairs work. At the Seventh NPC, the "security bloc" represented just under 7 per cent of the Central Committee membership: four officials from the Ministry of Foreign Affairs (MFA), three from the Ministry of the Interior (MOI), and four from the Ministry of National Defence (MND); additionally, the Vietnamese People's Army (VPA) held eleven seats (7.5 per cent). The Eighth Party Congress saw a rise in power for the security bloc. The VPA held seventeen seats (10 per cent), while the MFA and the MOI each held four seats (2.3 per cent respectively). In total, the security bloc currently holds 15 per cent of CC seats.

One official told this writer that sensitive foreign policy decisions (in his case, the 1988 Politburo Resolution 13, discussed below) are extremely centralized, and only discussed within the Politburo, Secretariat and among members of the CC who deal specifically with foreign affairs — that is, the ministers and vice-ministers from the "security bloc". There is very little open debate within the CC over foreign policy and, according to Porter, "Only the Politburo can make important foreign policy decisions requiring urgent action".[10]

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The Politburo

The Politburo (PB) translates CC resolutions into concrete policy guidelines and runs the Party between CC plenums. Although a system of collective leadership has been the hallmark of Vietnam, the Politburo's General Secretary sets the ideological tone for the Party. As the Minister of National Defence has always been a Politburo member, and the Ministers of the Interior and Foreign Affairs are usually, though not always, members, the Politburo can be considered the key locus of foreign policy decision-making. Policies are collectively decided upon, taking each ministry's point of view into consideration.

Bui Tin complained that the PB met less frequently than they should have, as each member's office is within their villa rather than at the Party headquarters.[11] Each Politburo member has an office of 20–30 people, including a *chef de cabinet*, four or five close aides, five or six personal secretaries, and logistics staff. Often, one of the five close aides is a foreign policy adviser, though General Secretary Do Muoi did not have a foreign policy adviser on his staff until Hong Ha was purged from the Central Committee in 1996.[12]

The Politburo has grown since the reform process was implemented in 1986. The Sixth Party Congress had thirteen members, which was increased to seventeen members at a mid-Party Congress in 1994, and was enlarged again in 1996 to eighteen members. There are two competing hypotheses regarding the body's expansion. The first argues that it was a balance of power — that is, Do Muoi had promised Foreign Minister Cam that he would be elected, and thus President Le Duc Anh demanded that his protégé General Le Kha Phieu be elected as well. The second explanation is that since each member of the Politburo is responsible for overseeing a certain "sector", the number of members had to be increased as the economy became more complicated. For example, Dao Duy Tung, the former head of the CC's Propaganda and Ideology Department, became too involved in economic issues and wanted someone on the body to oversee ideological issues. Whatever the reason, and both are plausible, the PB has become too large and less effective.

To ameliorate this situation, an attempt was made at the Eighth Party Congress to create a five-member Politburo Standing Committee to carry out the day-to-day affairs of the Party. The creation of this body irked many as it usurped the authority of the Secretariat.[13] The new Standing Committee can be expected to be very active in foreign policy decision-making, as all members have some international experience. Members include General Secretary Do Muoi, President Le Duc Anh, Prime Minister Vo Van Kiet, General Le Kha Phieu and Deputy Interior

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Minister Nguyen Tan Dung, an expert on economic crimes. In sum, although the Politburo has penultimate authority, few foreign policy decisions are made by the body collectively. Rather, certain key members, or those with institutional ties to externally-oriented bodies, tend to make decisions in small groups. The Standing Committee will thus become the apex of foreign policy-making.

The Secretariat

Until the Eighth Congress when it was abolished, the Secretariat dealt with day-to-day organizational problems and was responsible for the implementation of CC decisions. It consisted of nine to thirteen members of the CC, several of whom were also members of the Politburo. Not much was known about the Secretariat, especially what types of resources it had. It did utilize the Central Committee's research office, the Committee for Strategic Estimates, but did not have its own independent research offices. The Secretariat was divided along functional lines, with each member responsible for a political, economic or social sector. Unlike in China where there is a "small group" or a "leading group" within the Secretariat that is responsible for foreign affairs, with its own research staff and invited specialist, in Vietnam a single member was responsible for foreign affairs.[14]

Following the appointment of Nguyen Manh Cam as Foreign Minister in 1991, it was announced that Cam would be directly responsible to President Le Duc Anh, the former Defence Minister, and number two in the Politburo, and Hong Ha, a member of the Secretariat, as Cam was on neither of the bodies. Hong Ha took charge of foreign policy for the Party in 1991. As former editor of *Nhan Dan*, the Party daily newspaper, Ha had little foreign policy experience, prompting one official to complain: "None of the new top leaders understand the international situation. Not only is this a weakness, it's a real danger".[15] In 1994, Foreign Minister Nguyen Manh Cam was elected to the Politburo, which began to diminish Ha's power.[16]

The Central Committee's External Relations Department

At present there are eighteen CC Standing Departments, one of which is the External Relations Department (ERD). Several others, including the Overseas Vietnamese Department, the Science and Education Department, and Economic Planning Department, are consulted in their respective issue areas. According to Porter, "The power and functions of the departments whose areas of responsibility coincide with those of government ministries may exercise de facto policy-making influence over those ministries".[17]

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This does not seem to be the case with the CC's External Relations Department which primarily oversees party-to-party relations. According to one member of the Foreign Ministry, the External Relations Department "is supposed to collaborate with the Foreign Ministry to assist the Party in foreign relations, but has much less power than the Ministry [of Foreign Affairs] and is mainly responsible for relations with the communist or workers' parties in socialist or non-socialist countries, or with non-governmental organizations such as those of peace, friendship, etc".[18] One MFA official complained to this writer that the ERD was a "joke" that "got in the way". With a poorly-trained staff of about thirty people and an irregular presence abroad, the ERD has little role in the policy-making process. Nonetheless, despite being dependent on the MFA and the intelligence community for information and analysis, the ERD has access to top Party officials, and can be more influential than it is. As one official said, the head of the ERD does not have much power over the MFA, especially in terms of personnel and leadership; however, "you don't want him opposing you".[19]

The Central Military Party Committee

The Central Military Party Committee (CMPC), akin to the Chinese Central Military Commission, is of significant importance to the foreign policy-making process. Responsible to both the Politburo and the Secretariat, the CMPC "can be regarded as the ultimate power for all military matters, not only in the Party but in the nation".[20] It currently consists of a Secretary (Do Muoi, the VCP General Secretary), a First Deputy Secretary (Le Duc Anh, the former President and Commander-in-Chief of the VPA), a Deputy Secretary (Doan Khue, the Minister of Defence), and six members — all of whom are top military personnel. It serves as both the link between the Party and the Ministry of National Defence, and the means by which the VCP maintains full and total control over the military.[21]

Party control over the military is ensured through a policy of interlocking directorates at both senior and rank-and-file levels. Within the People's Army, the Party is able to maintain a high degree of control through Party membership: 70 per cent of all officers are Party members. Thayer argues that from 1976 to 1982, "59 per cent of all new Party members were recruited from the VPA"; and that 14 per cent of total Party membership is accounted for by the military.[22] At the senior level, the People's Army is guaranteed bloc membership in the Central Committee.

4th NPC (1976) : 16 per cent
5th NPC (1982) : 13 per cent

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6th NPC (1986) : 7 per cent
7th NPC (1991) : 10.2 per cent
8th NPC (1996) : 11.7 per cent

As the highest organ for military policy formulation, this body plays a very strong role in the foreign policy-making process and is a key channel for the VPA to promote its interests. Again, it is not clear how large a staff the CMPC is, or what resources it controls. The CMPC copublishes a very influential monthly military journal, *The All People's Defence Journal.*[23]

The National Ho Chi Minh Academy of Politics

The National Ho Chi Minh Academy of Politics is the VCP's school for top party cadres. Although much of its research is either domestic-oriented or theoretical, it has a large international relations department. It is hard to judge the extent of the department's influence. It does write reports for the CC. And the Director of the Academy, Nguyen Duc Binh, is a Politburo member. Although most Party officials attend some of the department's seminars, many feel that the Academy is too theoretical and not objective enough.

The State

One of the main goals of General Secretary Nguyen Van Linh (1986–91) was to break down the system of interlocking directorates that plagued the VCP. Porter notes that: "Although the VCP is supposed to 'lead the state, but not replace the state', confusion about the division of function between the party and state has been a fundamental problem of the Vietnamese political system from the beginning."[24] As one Vietnamese scholar noted to this writer: "General Secretary Le Duan completely controlled the Ministries of National Defence, the Interior and Foreign Affairs", through key personnel appointments and thus there was little room for policy innovation. The opportunity for policy innovation first arose with Duan's death and the subsequent election of Linh to the post of General Secretary. Equally important, to which Linh was fully cognizant, was the need to allow expert advice to be heard, both in domestic and foreign issue areas. With the collapse of communism in Eastern Europe in 1989, the key political debates focused on Party-State relations.[25] The Party daily, *Nhan Dan*, in support of Linh, argued that: "The Party has interfered too deeply in state management, has reduced the effectiveness of state management, and at the same time, caused its leadership to decline."[26] The 1992 Constitution further codified this division. Although the VCP maintained its guiding role, "It is no longer

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allowed to interfere in the day-to-day running of the government or to operate outside the law."[27] In general, there was an attempt to give the government more autonomy. In terms of foreign affairs, the Foreign Ministry became less constrained by ideology and directives from the Party. In sum, Linh's organizational reforms meant that the VCP continued to set the line and approve all major foreign policy initiatives, although more consideration was paid to government experts. Yet the final decisions continued to be made by the ministers wearing their Politburo "hats" and other top Party officials.

The National Assembly

The highest organ of state is the National Assembly, although it serves as little more than a rubber stamp for Party decisions. Although the National Assembly Standing Committee has always had a Foreign Relations Committee, it has no input in the policy-making process. Like the CC's External Relations Department it serves a more ceremonial role. In recent years, however, it has played a much greater role especially in establishing ties with other parliaments in the region. This is important as, since 1989, there has been a steady decline in party-to-party ties with fraternal socialist states. What were once formal bilateral party ties are now state-to-state ties. Thus, the NA's FRC has taken over many of the responsibilities of the Central Committee's External Relations Department. Not surprisingly, there is considerable overlap in personnel between the National Assembly's Foreign Relations Committee and the Central Committee's External Relations Department.[28]

The President

On 15 April 1992, the National Assembly passed a new Constitution which had several effects on foreign policy-making. First, it abolished the Council of State, which had served as the Standing Committee of the National Assembly. The Chairman of the Council of State, the ceremonial head of state, was replaced by a singular President who is the Commander-in-Chief of the armed forces and Chairman of the Council on National Defence and Security (discussed below). As head of state, the President is responsible for "holding talks" and entering into treaties with other heads of state.

It is uncertain how much power the President actually has. On paper, the President has enormous powers. Yet, in Putnam's terms, "positional power" means less that "reputational" or "decisional" power.[29] The first President, Le Duc Anh, had both reputational and decisional power because of his former positions and his vast network of patron–client ties. President Anh is a Colonel General, a former

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Minister of Defence, and has been a member of the Politburo since 1982; he currently ranks second in that body. A protégé of Le Duc Tho, President Anh was the commander of the Vietnamese forces in Cambodia, and in 1990, he was the chairman of the Central Committee's special personnel committee in preparation for the VCP's Seventh National Congress.

With President Anh having stepped down at the Ninth National Assembly in September 1997, it is evident that his successor does not have nearly as much power. Vice-Premier Tran Duc Luong, a 60-year old geologist and former Vice-Premier, was clearly a compromise candidate.[30] Although nominally the head of the VPA and chairman of the National Defence Council, Luong has no military experience nor does he control the requisite vast patronage networks that Anh did. If General Le Kha Phieu is appointed as General Secretary as expected, Luong will be a ceremonial President, and national security and defence issues will revert to the General Secretary's purview.

The President does have his own external relations department. Although small, the department has a fair degree of influence although this is perhaps explained by the President's own power. The President's external relations department spends much of its time on protocol rather than in formulating policies. Nonetheless, a source indicated that this office can quash proposals from other departments.

In sum, the power of the President over foreign policy-making has a lot more to do with who the President is rather than the position which is nominally ceremonial. As a former general and Minister of Defence working with a General Secretary who had relinquished most of the foreign policy docket, Le Duc Anh had overall responsibility for foreign affairs since the Seventh Congress; his successor will be much more of a ceremonial figure.

The Council on National Defence and Security

The Council on National Defence and Security (CNDS) can be considered as the highest national security policy-making body within the government, although its membership is dominated by the PB members mentioned above. Between 1981 and 1986 the CNDS was chaired by Troung Chinh, with Pham Van Dong as Vice-Chairman and Pham Hung, To Huu and Van Tien Dung (a senior General representing the VPA) as members. From 1986 to 1991, the Chairman was Vo Chi Cong, a former PB member and an older revolutionary leader. The Council included the Minister of Interior Mai Chi Tho, Minister of Defence Le Duc Anh and Foreign Minister Nguyen Co Thach. From 1991 its membership consisted of General Secretary Do Muoi (Vice-Chairman), Minister of Defence Doan Khue, President Le Duc Anh, Nguyen Quyet,

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former head of the Army's General Political Department, and Prime Minister Vo Van Kiet. Under the 1992 Constitution, the President chairs the CNDS. Anh and Kiet remain on the body after having stepped down from their posts; both have maintained their Politburo Standing Committee positions.

The amount of resources and the number of personnel the CNDS has under its control are unknown. Presumably, each member uses the resources of his own ministry or party organ rather than rely on a large permanent staff of the CNDS.

The Prime Minister's Office and Cabinet

The day-to-day operations of the government were formerly handled by the Council of Ministers (COM) which was disbanded and replaced with a more Western-style premier and Cabinet in 1992. The Prime Minister is now more powerful and independent than his predecessor and has the power to nominate and dismiss ministers. Like the General Secretary, the Prime Minister is *primus inter pares*, but collective leadership remains the norm.

Under the premier, there are five vice-premiers;[31] all are ministers or head of state-level commissions, and each is responsible for a certain "sector" (in Chinese, *xitong*) which often oversees several ministerial portfolios. For example, in December 1986, Nguyen Co Thach not only became Foreign Minister, but also Vice-Premier in charge of foreign policy and increasingly over foreign economic relations. Likewise, Foreign Minister Cam is also a Vice-Premier. As a full Cabinet is too large a body to be an effective decision-making organ, the Prime Minister meets with an "inner Cabinet" comprised of the vice-premiers, and members of the Office of the Prime Minister (comprised of a director and five deputy directors), and several "key" ministers. Each deputy director is responsible for one or two issue areas. This office co-ordinates inter-ministry policy-making. Although the Government Office is responsible for setting the domestic policy agenda, it has little say over foreign policy. Despite having its own foreign affairs committee, it deals more with protocol, working closely with the MFA to arrange foreign trips for government personnel. One source mentioned that this office was trying to wrest some control over the current counterpart agencies for the World Bank and other multilateral agencies.

Three ministries have traditionally been involved in all aspects of foreign policy-making: the Ministry of Foreign Affairs, Ministry of National Defence and the Ministry of Interior, which is in charge of security, intelligence and counter-intelligence. At the ministerial-level, these ministries regularly meet with each other to co-ordinate policy.

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Moreover, as the Minister of National Defence has always been a Politburo member, and the Ministers of the Interior and Foreign Affairs are usually on the PB, their ministry's positions are always taken into account.

The Ministry of Foreign Affairs

The Top Leadership. Since reunification (1975–76), there have been three foreign ministers: Nguyen Duy Trinh (1965–80), Nguyen Co Thach (1980–91) and Nguyen Manh Cam (1991-present). Nguyen Duy Trinh was certainly the most powerful of the three in terms of the other "hats" he wore. He was a member of the Politburo from 1957, a member of the Secretariat from 1976, a member of the National Defence Council from 1976 as well as a Vice-Premier. Nguyen Co Thach did not become even a Politburo alternate member until 1982, two years after his appointment, and only became a full member of the Politburo in December 1986 at the VCP's Sixth Congress. Thach, however, had the most influence on the course of Vietnam's foreign policy. Gareth Porter argues that once Thach embraced *doi moi*, he became one of its most forceful advocates and was able to reformulate Vietnam's foreign policy to encompass economic reform and ties with the West. As a result of a stagnant economy, rapidly increasing foreign debt and trade deficits and a decline in relative development, the Vietnamese leadership came to reject the Stalinist concept of "two camps" and accepted Vietnam's role in the global division of labour.[32] In May 1988, the Politburo secretly passed "Resolution 13" which officially embraced Thach's arguments for interdependence and Vietnam's inclusion in the world capitalist economy.[33] "Resolution 13" provided a new paradigm for national security, one that included a strong economy, a peaceful international situation, "sufficient" defence and an increase in relations with countries in all three "worlds".

Although "Resolution 13" was very much the result of Thach's personal thinking and advocacy, he fell out of favour in 1991 because of his independent style, which was contrary to the Politburo's traditional consensus-building approach. Moreover, he was criticized for his handling of the Cambodian affair, which did not immediately end the country's political and economic isolation, and his staunch resistance to normalization with China, which was clearly not in line with General Secretary Nguyen Van Linh's agenda in the wake of the collapse of socialism in Eastern Europe.[34] Although Thach claims to have stepped down voluntarily, all evidence points to the fact that he was forced out.

His successor, Nguyen Manh Cam, former ambassador to the Soviet Union, was the Party's second choice. Their first choice, Deputy

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Foreign Minister Tran Quang Co, according to the *Far Eastern Economic Review*, turned down the post because it would be weak without concurrent representation on the Politburo or Secretariat.[35] Cam, himself, turned down the job for the very same reason, but General Secretary Do Muoi personally urged him to take it. Cam was not elected to the Politburo until 1994[36] and until then was responsible to President Le Duc Anh and Hong Ha, a member of the Secretariat in charge of foreign policy for the Party.[37] At the time of his appointment, it was doubtful that Cam, a technocrat without a large or independent power base, would have much independence or a large say in policy-making. Yet with his early election to the Politburo, a string of foreign policy successes (normalization of relations with the United States, membership of ASEAN, and the Framework Agreement with the European Union), he can be expected to have a much more influential role in the policy-making process. Moreover, as the focus of Vietnam's foreign policy is centred on economic development, Cam's former experience and personal networks within the economic bureaucracy may be of great importance to Vietnam's leadership.[38]

Between 1985 and 1988, there was a major house-cleaning in the top echelons of the MFA. In 1985, there were nine Vice-Ministers. By 1988 all had been sacked and replaced by a First Vice-Minister, Dinh Nho Liem, and three Vice-Ministers, Tran Quang Co, Nguyen Dy Niem, and Vu Xuan Ang. In 1992, Ang was replaced by Foreign Minister Thach's two personal assistants, Vu Khoan and Le Mai. Under the Minister there is a First Vice-Minister, Dinh Nho Liem, an expert on Chinese affairs who has often led the border negotiations with the Chinese, and four Vice-Ministers: Le Mai, Nguyen Dy Niem, Vu Khoan and Tran Quang Co. Le Mai was the former representative to the United Nations in New York and an expert on American affairs. He died in 1996 shortly before the Eighth National Congress, where he was tipped to succeed Nguyen Manh Cam. Vu Khoan and Tran Quang Co are both experts on Chinese affairs and frequent negotiators with China. Proportionally, the MFA has a fair-sized representation in the VCP CC: four of the top five are CC members.

Organization of the Ministry. Under the Vice-Ministers, the MFA has twenty-one departments,[39] divided roughly equally into functional and regional bureaus.

Functional

1. Consular Affairs Department
2. Economic Affairs Department

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3. General Affairs Department
4. Information and Press Department
5. International Organization and Conferences Department
6. Protocol Department
7. Institute of International Relations
8. Chancery
9. International Law Department
10. UNESCO Department
11. Services for Diplomatic Corps Department

Regional

12. Asia Department One (Northeast Asia)
13. Southeast and Pacific Asia Department (consolidation of Asia Department Two [Laos and Cambodia] and Asia Department Three [Southeast Asia, Australia, New Zealand, Pacific])
14. ASEAN Department
15. Asia Department Four (South Asia)
16. China Department
17. Europe Department One (Eastern Europe)
18. Europe Department Two (Western Europe)
19. Americas Department (North America, Latin America and Cuba)
20. CIS Department
21. West Asia and Africa Department

Of the functional departments, the most important is the International Law and Treaties Department which serves as Vietnam's negotiating team. This department has, for example, been involved in conducting all border demarcation negotiations with the Chinese. Another important department is the International Organizations and Conferences Department (IOCD). The department is one of the largest in the Ministry, primarily responsible for Vietnam's representation in the United Nations, but also played a key role in the international conferences that led to the Cambodian settlement. The New York mission was the main channel of communication with the United States. Indeed, the former head of the observer mission, Le Van Bang, is now the ambassador to Washington, D.C. The IOCD also serves as a counterpart agency and is responsible for ODA (Overseas Development Assistance) coordination, and relations with international organizations and multilateral economic institutions.

Within the MFA, there is little horizontal mobility for two reasons, one practical, the other cultural. First, because of the lack of resources and well-trained personnel, there is a lack of a "foreign policy com-

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munity". There are few research bodies and alternate channels of information. It is thus imperative that the MFA build up a cadre of experts for each issue area or region. Secondly, despite being dominated by large socialist bureaucracies, the system is still dominated by clientelist ties and traditional authority relationships. As officers are usually trained by their superiors there develops a bond and a sense of loyalty.

The Institute of International Relations

The Ministry of Foreign Affairs was an extremely small organization until the Geneva Conference in 1954. The Ministry grew first through recruitment from the military and intelligence organs, and later through its own in-house recruitment channel, the Institute of International Relations (IIR). Most diplomats are trained at the IIR, which is an amalgamation of an undergraduate college (formerly the School of Foreign Affairs, founded in 1959) and the MFA's think-tank, the IIR (founded in 1977). The two were merged in May 1987 into the IIR, and it remains one of the top colleges in the country. In the past, there was limited lateral movement across ministries or recruitment from other universities. Ministry officials were selected and put on "track" at an early age. Now, however, the MFA has stopped the practice of direct recruitment from the IIR and holds an open entrance examination.

Foreign Ministry personnel have also been trained at the Institute of International Relations in Moscow, although one source mentioned that they have not been very highly regarded by the Ministry's leadership and have not been placed in the most sensitive and difficult areas of the Ministry because their training was "too theoretical". In addition, a growing number of MFA personnel have been sent abroad to attend American and European graduate programmes in international relations, international law and business, and economics.[40]

With Vietnam's membership in ASEAN, the IIR accepted an invitation to join the ASEAN Institutes of Strategic and International Studies (ISIS),[41] a regional network of think-tanks. Membership in ISIS gives Vietnam access to the conferences, research libraries, databases, and publications of the institutes. Moreover, ISIS has played an important role in the establishment of the ASEAN Regional Forum (ARF) and the Track-2 dialogues, in which Vietnam is eager to participate. Because of the security orientation of ISIS, membership may give the IIR and MFA more say in security issues, which have never been in the hands of the civilian ministries.

The IIR is the MFA's principal research organ, although it plays a limited role at best. The research division has a staff of nearly fifty people and is broken down into six departments: China, Southeast

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Asia, Europe and Russia, North America, Japan, and Vietnamese Foreign Policy which circulate reports throughout the MFA. The best way to influence policy, contends one researcher, is not by pushing reports up through the ministry, but when an official commissions a study.[42] Yet there is little attempt to broaden the readership for a number of reasons. The first is the need to guard information in a shortage economy. Secondly, there is still no system of declassifying old documents. Thus, even if everyone knows that a document exists, it cannot be written about for public consumption. Thirdly, there is still considerable censorship.

One researcher said that in the mid-1990s the IIR obtained some autonomy from the MFA as it started to receive funding for research projects from the Ministry of Science and Technology. The IIR now shares sanitized versions of reports. Research conducted at the IIR is increasingly "general", according to a researcher, as the Institute wants its reports to appeal to a larger audience. But there are still obstacles, especially for researchers, to publish their works in non-MFA-controlled publications.[43] If a fellowship is offered to a researcher to conduct a specific study, then it is accepted that a publication will result from this. However, neither a researcher in Hanoi nor any official studying abroad can submit articles for publication without approval from the Ministry.

Ministry of the Interior

As mentioned above, the Ministry of the Interior (MOI), which is in charge of security, intelligence and counter-intelligence, has always been involved in foreign policy-making as its Minister, until the Eighth National Congress in 1996, was always a Politburo member and thus able to advance the Ministry's position. At the Sixth Party Congress in December 1986, Le Duc Tho stepped down from the Politburo, and as a compromise, his brother, Mai Chi Tho, was chosen to head the Interior Ministry, replacing party elder Pham Hung. This allowed the conservatives to maintain control of the MOI through patronage and connections. Mai Chi Tho, the former mayor of Ho Chi Minh City, who was blamed for the expulsion of several hundred thousand *Hoa* in 1978–79, lost his Politburo seat, along with Thach, at the Seventh Party Congress in 1991, quite possibly as a signal to China.[44] He was replaced by Bui Thien Ngo, a 63-year-old southerner. Although the current Minister is not in the Politburo, at the Eighth Party Congress in 1996, two Deputy Ministers were elected to the Politburo.

Under the Minister are eight Vice-Ministers and four departments (Counter-intelligence, Customs, Immigration, and Police), although there are possibly others not publicly listed. Obviously, the intelligence and

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counter-intelligence functions are foreign-oriented. Interestingly, the MOI is also responsible for customs and immigration and thus has an input in foreign trade policy-making and immigration issues, such as the Orderly Departure Programme and the Comprehensive Plan of Action. The MOI is one of the major sources of foreign analysis, although it is unclear to what extent their reports are circulated within the government. Unlike the MFA and the Ministry of National Defence, the MOI has no public research institutes or externally-oriented publications. It, nonetheless, is one of the most influential ministries in the foreign policy-making process.

Ministry of National Defence

Douglas Pike argues that "both policy determination and operational authority is vested in perhaps a dozen individuals who, among themselves, hold complete and unchallengeable control of the Vietnamese armed forces".[45] The VPA, more than any other institution, is fraught with interlocking directorates. The VPA "high command" is an informal body comprised of top officials from the National Assembly, the Ministry of National Defence (MND), and the National Defence Council on the state side, and the Politburo and the Central Military Party Committee on the Party side. The nature of the interlocking directorates is important as there is no direct civilian control over the VPA. Indeed, the MND is directly controlled by military men who seek total autonomy: the Minister is General Doan Khue, and the Deputy Minister is usually the Chief of the Military General Staff Directorate.[46]

Directly under the Minister of National Defence is the VPA Commander-in-Chief; and below his office are six directorates. According to Pike, the Military General Staff Directorate is the most important of the six, acting like the American Joint Chiefs of Staff. It is described as the "nerve centre of the army, the most important military agency in the armed forces"[47] and is responsible for combat planning, military personnel, administration, research and intelligence, and technology. It is the Military General Staff Directorate that not only implements military policy, but formulates most of the military's policies and serves as one of the key intelligence organs in the country.

Again, the MND is one of the major sources of foreign analysis, though it is unclear to what extent their reports are circulated within the government. The MND has two research institutes: the Institute of Military History which publishes a quarterly review of military history, and the Institute of Strategic Studies, which is the primary research organ of the VPA and publishes only classified documents.

The Ministry of Defence also has its own Foreign Affairs Department. Headed from December 1979 to 1992 by Colonel Vu Xuan Vinh,

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it is now run by Le Khoa. This office, however, is primarily responsible for the establishment of bilateral military ties. It is unclear, for example, what role it will play with the advent of the ARF. The number of military attachés abroad is growing, and will be of considerable importance in ASEAN, where attachés are already posted in Indonesia and Thailand. Bilateral ties have also been established with France, India, and recently the United States.

Border Department of the Prime Minister's Office

Directly responsible to the Prime Minister's office is the Border Department. The earliest record of its existence that I have been able to find is 1985. The current Director is Le Minh Nghia. The Border Department is active in negotiations with China regarding the delineation of the land border, the Gulf of Tonkin, and the South China Sea. It is unclear what kind of relationship it has with the MFA, which usually heads the Vietnamese delegation to the border talks. One source suggested that the duplication was so that the Prime Minister would have his own representative at the talks.[48]

Other Ministries

With the adoption of *doi moi*, the primacy of economic reform over security concerns and Vietnam's entry into the world economy, several other ministries have gradually been empowered and have joined the policy-making process. As Prime Minister Vo Van Kiet said in a 1994 interview:

> Our political and diplomatic activities must be strongly aimed at economic aspects and serve the economic goals that have been set. This is not only the work of the foreign-affairs organs of the party and state but also the responsibility of all sectors and echelons ...[49]

In part, this is due to the economic reforms. But it is also due to the increase in the power of the State, and especially the Prime Minister's office, and the streamlining of the old Council of Ministers which has made it a more efficient decision-making body. Yet, one should not overestimate the power of the ministries outside the "security bloc" in influencing policy-making. Eleven years after the implementation of *doi moi*, they have considerably less influence than one would expect in a reforming socialist state.

Unlike many other states, the Ministry of Finance (MOF) in Vietnam has very little input in foreign policy-making. First, the MOF had a late start in its international ties because of the U.S.-led embargo and veto over lending by multilateral economic institutions (MEIs) such as the World Bank, the International Monetary Fund (IMF), and the Asian

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Development Bank. Although the MOF has counterpart agencies to handle relations with the MEIs, the Ministry of Planning and Investment (MPI) is a far more powerful body. Moreover, Overseas Development Assistance (ODA) does not flow through the MOF, but through the MPI, the MFA's International Organization Department and the related line ministries. The MOF has also been plagued by leadership troubles and has been under constant fire for corruption and failing to keep up with the reforms.

The Ministry of Planning and Investment is currently the highest economic policy-making organ and has significant input in the foreign policy-making process. Through its External Relations Department, it co-ordinates ODA and approves many investment projects and trade flows.[50] Having wrested control of foreign investment through a merger with the State Commission on Co-operation and Investment in October 1995, it now oversees nearly US$20 billion in foreign investment. The MPI is a key player in Vietnam's increasingly foreign-oriented economic policy-making.

Despite great fanfare over Vietnam's economic development and reform programme, many experts are fearful that the reform programme will eventually stall because of the lack of a foreign trade policy.[51] Whereas China pursued a vigorous strategy of export-led growth,[52] Vietnam has failed to pursue a similar policy. Stern attributes this to the lack of CC endorsement, despite General Secretary Linh's prodding, for such a policy entails the theoretical acceptance of the "global division of labour", and the fear among conservative leaders that further relations with the West will entail "spiritual pollution" and "peaceful evolution", which seek to undermine the VCP's leadership.[53] Yet, from interviews with MOT officials, the most plausible explanation is the Ministry's refusal to decentralize trade and relinquish its monopoly. In conclusion, whereas one would expect the MOT to be a major player in the policy-making process, it has little authority. As Vietnam has failed to implement a policy of export-led growth, the combined ministries of Light Industry, Heavy Industry and Energy have also had very little input in the foreign policy-making process. At present, it is more concerned with reforming its 6,000 inefficient state-owned enterprises.

ASEAN National Committee

As membership in ASEAN is deemed absolutely essential, the government established the National ASEAN Committee (NAC) under the leadership of Deputy Prime Minister Tran Duc Luong in October 1995. Many ministries, however, while not opposing membership, cannot see the benefits it would bring them. This is true particularly in the case of

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the ASEAN Free Trade Area (AFTA). Many in Vietnam fear that domestic industry, even in ten years' time, will not be able to compete with duty-free goods from ASEAN. Being a national committee, the NAC is a half-rank above the line ministries and is thus able to enforce inter-ministerial co-operation. Despite the creation of a separate ASEAN office within the MFA, other ministries would not take orders from it.

Within the NAC, the Minister of Foreign Affairs is in charge of political and security issues; the Minister of Trade is in charge of economic and commercial co-operation; the Minister of Finance is in charge of AFTA and all tariff-related issues; the Minister of Planning and Investment oversees aid and investment; and the Minister of the Government Office assists the Chairman and the Prime Minister.[54]

National Commission of Social Sciences and Humanities and Academic Institutes

The National Commission of Social Sciences and Humanities (NCSSH) plays a moderate role in foreign policy and national security research. It comprises sixteen separate institutes, divided primarily along geographical lines. Two institutes, the Institute of Southeast Asian Studies and the Institute of Chinese Studies, focus primarily on strategic and economic issues. The Institute of World Economics, the Institute of Economics and the Ho Chi Minh City Institute of Social Sciences are all important foreign economic policy research bodies under the NCSSH.

There are two new international relations programmes in Hanoi: the National University of Hanoi which has a new faculty of Politics and International Relations; and a new private international relations college headed by former Foreign Minister Nguyen Co Thach. The Foreign Trade College has become the country's pre-eminent institution, but it is unclear whether the College contributes towards the policy-making process through publications or in an advisory capacity.

Friendship, Technical Co-operation and Development Associations

Vietnam, like many other socialist states, has a large number of "united front" organizations and "friendship" associations. Though they do not formulate policy, they do have a role in its implementation. If nothing else, they are an interesting indicator of the government's current foreign policy thinking. In 1982, for example, there were fifteen bilateral "friendship" associations, most of which were with fellow socialist states. Of those, five were headed by Central Committee members and five were headed by government ministers. By 1992, it was evident that Vietnam was trying to pursue a more peaceful foreign policy and was willing to engage non-socialist states as there were thirty-two "friendship" associations. Among the seven new ones, five

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were with Western countries (Germany, Sweden, Italy, Australia and the United States), as well as the Czech Republic and Hungary.

In addition to the "friendship" associations, Vietnam has a number of associations and committees that deal with specific foreign issues, including officially-sponsored overseas Vietnamese associations in Belgium, France, Italy and Switzerland. There are also "solidarity committees" with Chile and North Korea. In 1982 there were twelve bilateral Commissions for Economic, Cultural, Scientific and Technical Cooperation (CECSTC) between Vietnam and Algeria, Bulgaria, Cuba, Czechoslovakia, the GDR, Hungary, India, Iraq, Laos, Poland, Romania, and the USSR). As with the "friendship" associations, the twelve CECSTCs were often headed by high-ranking officials, including six Central Committee members and two ministers.

Journals and the Press

As in China, there was a proliferation of new journals to expound the reformer's positions and agendas.[55] One of these was *International Relations*. With its first issue published in November 1989, it became a mouthpiece for the reformist Foreign Minister Nguyen Co Thach, who made the first public reference to the contents of Resolution 13. The MFA's IIR publishes *International Studies*, which supersedes the Institute's *International Relations Bulletin*. The Ministry of National Defence's Institute of Military History has been publishing a quarterly review of military history since 1987. The MND also co-publishes a monthly journal with the Central Military Party Committee's Department of Military Theory and Politics, *The All People's Defense Journal*. The scope of this journal includes ideology, military doctrine, and world politics. The Institute of Marxism-Leninism publishes three journals, although none are devoted to international affairs: the *Journal of Theoretical Information*, the *Journal of Party History*, and *Information on Theoretical Issues*. As one researcher noted, these journals focus primarily on ideology and regime survival. The Ho Chi Minh National Academy of Politics, which has a large international relations department, publishes *Theoretical Studies*. Most theoretical debate over foreign affairs appears in *Communist Review*, the Party's monthly theoretical journal. The NCSSH's sixteen institutes publish a myriad of reports and journals, most important of which are the Institute of Southeast Asian Studies' quarterly journal *South East Asian Review*.

The two most important newspapers in terms of foreign affairs are *People's Army*, the military's official mouthpiece, and *The People*, the Party daily. In addition, there is a new weekly paper that focuses solely on international news.

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The Vietnam News Agency (VNA), ostensibly a wire service, plays an important role in the foreign policy-making process as it translates, summarizes, and disseminates news from the foreign press throughout the government. *Quick News*, with short summaries of international news, is sent to all government departments twice a day. *Reference News* is a daily report which provides the same news in a more complete form. The VNA also publishes a restricted document, entitled *Special Reference Material*, which carries commentaries rather than news.

Conclusion

For Doak Barnett and David Shambaugh,[56] one of the most important trends in the Chinese foreign policy-making process was the growth of a "foreign affairs community" whose expertise the government could draw on. Although decisions were still made at the top echelons of the Party, there was a massive proliferation of institutes, think-tanks, and research departments within ministries, universities, and the Academy of Social Sciences. The amount of expertise, journals, research publications, and competing sources of information and analysis upon which the leaders could draw from grew dramatically during the 1980s and early 1990s.

In Vietnam, there is clearly no "foreign affairs community" as yet. Although Vietnam has a "large and excellent community with unmatched linguistic skills in Southeast Asia",[57] it is not a community, but a series of fiefdoms. Vietnamese research is hamstrung by compartmentalization. According to one respected MFA researcher, despite the fact that the National Ho Chi Minh Academy of Politics, the Ministry of Defence and the Foreign Ministry all have international relations research departments, they do not co-operate with one another. The researcher confided that he had personally never met with his colleagues at other institutes. Although he acknowledged that things were getting better, the free flow of ideas and open debate was still a long way off. It is understandable that in a shortage economy, resources are very guarded, and infrequently shared. But the researcher argued that this has hurt Vietnam in a number of ways.

First, compartmentalization is inefficient. In a resource poor economy, the control of information is deemed essential; even within institutes, different departments do not always share their resources. There is no system of information sharing between the institutes; thus, money and resources are wasted on redundancy. But more importantly, without knowing what the other institutes are doing, there is no competition between them to increase the efficient use of resources.

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Most foreign policy analysis is conducted within the Foreign Ministry and its in-house think-tank, the Institute of International Relations. Both military intelligence, directed by the Military General Staff Directorate and the MND's Institute of Strategic Studies, and intelligence, conducted by the Ministry of the Interior, are sophisticated. And they are powerful organizations with good access to the top leadership, but they are highly secretive and compartmentalized. Their information and analysis are not widely disseminated. There are a number of other research institutes with international relations departments, such as the NCSSH, Ho Chi Minh National Academy of Politics, and the National Universities. Although these institutes publish reports, no one knows how much influence they have.

Secondly, the fact that prominent researchers with very different viewpoints and biases do not know each other and thus do not debate issues in any fora, does not bode well for the future free flow of information. The community is so compartmentalized that another researcher complained, "Nobody knows who is reading the papers of others. Who is influencing whom? And shouldn't others know about it? Nobody knows who has access."

Finally, the decision-makers are receiving very biased information (from the part of the ministry that wrote it), and information that may contradict other information received. This compartmentalization has consequences on how Vietnam's policies are made. Because foreign policy-making is so compartmentalized, the *realpolitik* world-view is monopolized and perpetuated. A "complex interdependent" world-view is never established because the security bloc does not take the positions of other bureaucracies into consideration. Foreign policy remains monopolized by the security apparatus.

NOTES

1. Gareth Porter, "The Transformation of Vietnam's World View: From Two Camps to Interdependence", *Contemporary Southeast Asia* 12, no. 1 (June 1990): 1–19.
2. Frank Frost, *Vietnam's Foreign Relations: Dynamics of Change* (Singapore: Institute of Southeast Asian Studies, 1993).
3. Lewis M. Stern, *Renovating the Vietnamese Communist Party: Nguyen Van Linh and the Programme for Organizational Reform, 1987–1991* (New York: St. Martin's Press, 1994).
4. Quansheng Zhao, "Domestic Factors of Chinese Foreign Policy: From Vertical to Horizontal Authoritarianism", in *Chinese Foreign Relations, The Annals*, Vol. 519, edited by Allen S. Whiting (American Academy, January 1992), p. 158.
5. Gareth Porter, *Vietnam: The Politics of Bureaucratic Socialism* (Ithaca: Cornell University Press, 1993), p. 66.

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6. In 1985, there were 112 full members and 34 alternates, while the Eighth Party Congress (1996) elected 170 full members, a 51 per cent increase over the decade. At the same time, the average age of CC members has fallen substantially, from 65 to 54. Seth Maydans, "Vietnam Edges Towards Change", *International Herald Tribune*, 29–30 June 1996, p. 4; Adam Schwarz, "Safety First", *Far Eastern Economic Review* (*FEER*), 11 July 1996, p. 16.
7. Lewis Stern, "Party Plenums and Leadership Style in Vietnam", *Asian Survey* 35, no. 10 (October 1995): 909–21.
8. This has not always been true. At the Seventh Party Congress, the General Secretary was selected by the Politburo, rather than the CC as in the past. Yet the PB was selected by the CC, rather than the outgoing PB, which was the common practice in previous National Party Congresses.
9. See Robert Putnam, *The Comparative Study of Political Elites* (New Jersey: Prentice-Hall, 1976), esp. pp. 52–56.
10. Gareth Porter, "The Foreign Policy of Vietnam", in *The Political Economy of Foreign Policy in Southeast Asia*, edited by David Wurfel and Bruce Burton (New York: St. Martin's Press, 1990), p. 223.
11. Bui Tin, *Following Ho Chi Minh* (Honolulu: University of Hawaii Press, 1995), p. 106.
12. Interview E-3-1, Hanoi, 3 March 1996.
13. In a very rare public display of dissatisfaction, one CC member complained that the new body "violated the principles of democratic centralism". See "Remarks made by delegate Tran Trong Tan at the 1 July closing session of the Eighth National Party Congress in Hanoi", Vietnam Television Network, 1 July 1996, in *FBIS-EAS*, 10 July 1996, pp. 97–99.
14. A. Doak Barnett, *The Making of Foreign Policy in China: Structure and Processes* (Washington, D.C.: School of Advanced International Studies, 1984), p. 45.
15. Murray Hiebert, "More of the Same", *Far Eastern Economic Review*, 11 July 1991, p. 10.
16. Ha was ousted from both the Secretariat and the Central Committee at the Eighth Party Congress. Although many criticized his ineptitude, Ha was also targeted for being a Dao Duy Tung loyalist. Tung, a front-runner for the General Secretary post, was purged in the run-up to the Congress.
17. Porter, *Vietnam*, p. 67.
18. Interview E-3-1, Hanoi, 3 March 1996.
19. Ibid.
20. Douglas Pike, *PAVN: People's Army of Vietnam* (California: Presidido Press, 1986), p. 151.
21. Following the collapse of socialism in Eastern Europe in 1989, the Party's constitution was amended in order to "redefine the military's political role and the party's control over the military". Carlyle A. Thayer, *The Vietnam People's Army Under Doi Moi* (Singapore: Institute of Southeast Asian Studies, 1995), p. 57. Article 28 states that the armed forces are under the "absolute, direct control of the Party".
22. Thayer, *The Vietnam People's Army*, p. 3.
23. The journal is copublished by the CMPC's Department of Military Theory and Politics and the Ministry of National Defence.
24. Porter, *Vietnam*, p. 84.
25. At the Eighth National Assembly in June 1988, Do Muoi was selected to be Prime Minister over the reformer and Southerner Vo Van Kiet. His election was described as a "backlash" by conservatives who thought that Muoi would be more willing to

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put the Party's agenda ahead of the state's reform agenda. For more on this, see Stern, *Renovating the VCP*, pp. 40–42.

26. Quoted in ibid., p. 75.
27. Far Eastern Economic Review, *Asia 1993 Yearbook* (Hong Kong, 1993), p. 220.
28. For instance, from 1982 to 1987, the Director was concurrently the Director of the CC's ERD; from 1987 to 1982 the Director was concurrently the Deputy Director of the CC's ERD.
29. Putnam, *The Comparative Study of Political Elites*, pp. 16–17.
30. With General Le Kha Phieu tipped to be the next General Secretary, the front runner for the presidency, Minister of Defence General Doan Khue, was effectively out of the running. The Vietnamese leadership, always careful to maintain a geographic, political and institutional balance, would not accept two of the top three posts being held by the military.
31. Originally there were nine Vice-Premiers, but in an effort to streamline the Council of Ministers, three were dropped in 1988. Three more were dropped in the 1995–96 government reorganization. At the September 1997 National Assembly meeting, the number of Vice-Premiers was increased to five.
32. Porter, "The Transformation of Vietnam's World View", pp. 4–5.
33. One Vietnamese diplomat mentioned that most members of the Central Committee were uninformed of the decision until after the decision was made.
34. It is rumoured that at the Seventh Party Congress in 1991, Thach and Mai Chi Tho were purged in an attempt to signal to China Hanoi's willingness to normalize relations. Thach was virulently anti-Chinese while Mai Chi Tho was the mayor of Ho Chi Minh City during the collectivization period that led to the mass exodus of ethnic Chinese.
35. Murray Hiebert, "Cutting the Red Tape", *FEER*, 22 August 1991, p. 11; and Hiebert, "Musical Chairs", *FEER*, 25 July 1991, p. 8.
36. In 1993, rumours began to circulate that Cam would be appointed to the Politburo during the Eighth Party Congress in 1996. Although it was anticipated that the Politburo would be enlarged by two positions at the Eighth Congress, it was increased by five positions two years earlier than planned.
37. Murray Hiebert, "Cutting the Red Tape", *FEER*, 22 August 1991, p. 11; and Far Eastern Economic Review, *Asia 1992 Yearbook* (Hong Kong, 1992), p. 212.
38. Cam was one of nine Vice-Ministers of Trade in 1983. He was elected to the CC at the Sixth Party Congress in 1986, and in the following year he was appointed as Ambassador to the former Soviet Union.
39. To co-ordinate Vietnam's admission into ASEAN, a separate department was established on 7 September 1994 by the Prime Minister's Decree No. 480-TTg. It has a staff of twelve. *Cong Bao*, no. 20 (31 October 1994), p. 26.
40. See Zachary Abuza, "Vietnamese Educational Exchanges: Educational Diplomacy Under *Doi Moi*", *Asian Survey* 26, no. 6 (June 1996): 618–31.
41. "Thinking Regionally", *FEER*, 20 October 1994, p. 12.
42. Interview B-1-2, Hanoi, 16 September 1996.
43. Interview B-1-2, Hanoi, 16 September 1996.
44. Murray Hiebert and Tai Ming Cheung, "Comrades Again", *FEER*, 22 August 1991, p. 8.
45. Pike, *PAVN*, p. 91.
46. Lieutenant-General Dao Dinh Luyen, the former chief, was purged by President Anh in January 1996 because of Luyen's support for reformist Prime Minister Vo Van Kiet.

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47. Pike, *PAVN*, p. 95.
48. Interview B-4-2, Hanoi, 12 November 1996.
49. Nguyen Ngoc Troung, "Interview with PM Vo Van Kiet", *Tuan Bao Quoc Te*, 6–12 January 1994, p. 4, in *FBIS-EAS*, 31 March 1994, p. 62.
50. The Ministry of Planning and Investment grew out of a former state-level commission. As in China, state-level commissions are half a rank above the line ministries so that they were able to co-ordinate inter-ministry policies. The state-level commissions were primarily economic in nature. For example, the Foreign Economic Relations Commission managed economic relations, the utilization of non-military Soviet development assistance, and intra-COMECON trade.
51. David Dapice, Dwight Perkins, and Jonathan Houghton, eds., *In Search of the Dragon's Trail: Economic Reform in Vietnam* (Cambridge: HIID, forthcoming).
52. See Nicholas Lardy, *Foreign Trade and Economic Reform in China, 1978–1990* (New York: Cambridge University Press, 1992), and Lardy, *China in the World Economy* (Washington, D.C.: Institute for International Economics, 1994).
53. Stern, *Renovating the VCP*, pp. 59–60.
54. Thanh Huong, "ASEAN Committee Holds First Meeting", *Vietnam Investment Review*, 20–26 November 1995.
55. For more on this, see Heng Hiang Khng, "Security Studies in Non-ASEAN Southeast Asia", in *Studying Asia Pacific Security: The Future of Research, Training and Diplomatic Activities*, edited by Paul Evans (North York: University of Toronto-York University Joint Center for Asia Pacific Studies, 1994).
56. David Shambaugh, *Beautiful Imperialist: China Perceives America, 1972–1990* (Princeton: Princeton University Press, 1991); and Shambaugh, "China's National Security Research Bureaucracy", *China Quarterly*, no. 110 (June 1987), pp. 276–304.
57. Khng, "Security Studies in Non-ASEAN Southeast Asia", p. 211.

ZACHARY ABUZA is a Ph.D. candidate at The Fletcher School of Law and Diplomacy and an Instructor of Political Science and International Relations at Simmons College. Research was supported by a grant from the U.S. Institute of Peace.

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Book Reviews

Southeast Asia: Tradition and Modernity in the Contemporary World. **By Donald G. McCloud.** Boulder, CO.: Westview Press, 1995. 360pp.

In the early 1980s, Donald McCloud took up the daunting task of writing a book reflecting on the interactions of tradition and (Western) modernity in Southeast Asia and the creation of a regional identity. The book under review is sometimes provocative in attempting to bring order to the manifold problems involved in such an investigation. Not surprisingly, its arguments are not always convincing. It is essentially an updated and expanded version of McCloud's 1986 book, *System and Process in Southeast Asia*. Although the rest of the text has not been changed substantially, two new chapters make more explicit the twin messages of the original volume: first, that Southeast Asia forms a recognizable region and, secondly, that in the past Southeast Asia had managed to successfully adapt and assimilate outside influences without fundamentally altering the social and political natures of the societies. The concluding prophecy, based on an analysis of the past, that "externally derived concepts and institutions will (continue to) be blended with the indigenous ... and fitted to local sensibilities and needs", (p. 338) has not changed. There is nothing remarkable or new about either the messages or the conclusion. Based entirely on secondary sources, the book does not contain a bibliography but a perusal of the "notes" suggests wide, if to this reviewer rather undiscriminating, reading.

In order to demonstrate that Southeast Asia is a viable regional unit, the author applies the concepts of political systems analysis, including the vocabulary (for example, boundaries, states, environ-

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ment, interaction), to historical development. The systems model, McCloud tells us, provides an organizing framework for comparing patterns in the internal and foreign policies of traditional and contemporary systems and helps to clarify elements of historical continuity. It is a model fraught with danger. Even though the author talks of "the evolution of neotraditional values" (p. 18), he does not see a continuity of cultural development and of traditional patterns of political behaviour from early pre-colonial times to the present. Indeed, the continual stress on historical diversity while talking of Southeast Asia as a region suggests that McCloud himself shares the terminological ambivalence felt by so many scholars. Furthermore, McCloud's argument implies that the colonial period was an aberration or hiatus in Southeast Asian development. Colonialism, he argues, temporarily changed the course of Southeast Asian development, but the post-colonial states have created a modern system legitimized by its indigenous cultural and political traditions. State behaviour in traditional Southeast Asia was conditioned by relationships between the rulers and the ruled and by the state's relationships with China, India, and other states external to the region. A similar situation exists today. Rather than being absorbed into a global culture (presumably, McCloud means Western culture), Southeast Asia is absorbing those features from the West which will enable it to cope better with the realities of the modern world as these are locally perceived.

This pattern of analysis is seen in the book's organization. Four chapters deal with the pre-colonial period, eight with contemporary Southeast Asia. The historical first half of the book is sketchy and flawed by two factors. First, despite a few revisions, the author still relies heavily on older sources and has not taken into account more recent scholarship. Secondly, he applies the terms and, hence, the definitions of contemporary Western political science to the societies of pre-colonial Southeast Asia. The term "state", in particular, is sometimes used synonymously with "culture". The success of McCloud's endeavour depends upon his demonstrating that Southeast Asia possessed a commonality of traditions in the pre-colonial days. However, his emphasis on cultural and political diversity and his presentation of evidence suggests the opposite. The colonial period is treated in one twenty-page chapter, "Colonial Interlopers and System Disjunction". The argument that colonialism was simply a temporary break in Southeast Asian development disregards a great deal of evidence to the contrary, particularly recent economic and cultural history of the region. McCloud places little stress on the fact that the countries of post-independence Southeast Asia were created by the colonial authorities. To forge a nation out of the artificialities of the new country

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required the invention of a past unity bolstered by traditions that were often invented. McCloud's brief discussion of nationalism in colonial Southeast Asia would have benefited from taking into account the writings of Benedict Anderson, Eric Hobsbawm (on "invented" traditions) and others, which do not appear to have been consulted.

The last eight chapters of the book deal with the independent countries of Southeast Asia. They could well stand alone as a separate book. The scholarship is more thoughtful and the writing more precise than in the earlier chapters. McCloud is in his element dealing with foreign policy and international relations. Foreign policies inside and outside the region, the complexities of the bi-polar world and the Cold War, the development of a framework for regional co-operation, ASEAN, policy responses in a multi-polar world, are handled with perception and clarity and provide a good introduction to contemporary regional politics. McCloud shows how regional co-operation has been formulated largely through personal leadership and the importance of summit-style diplomacy in ASEAN conducted by key national figures. This is certainly true. The importance for international decision-making of personal leadership and summitry, however, are not characteristics unique to the style of Southeast Asian politics and diplomacy and it is doubtful if their roots are to be found, as McCloud believes, in traditional (pre-colonial) state relationships. On the other hand, McCloud is undoubtedly correct when he says that the Southeast Asian nations are taking concepts and institutional forms from the West and fitting them with local sensibilities and needs. As a broad statement of tendency, this is certainly in line with traditional practices of adaptation and absorption of foreign forces. Even so, one has to ask whether, given their histories and social structures, countries such as Indonesia or Thailand could react to Western pressures in any other way and still maintain some form of national autonomy?

This book is a stimulating attempt to come to grips with the problems involved in trying to discover the relationships between culture and politics. To show a direct link between pre-colonial Southeast Asian culture(s) and late-twentieth century political and diplomatic developments within a regional framework is perhaps impossible. That this book is not wholly satisfactory reflects the enormity of the task. It does raise questions and suggests a way of approaching the problems.

GERALD JORDAN
York University
Toronto, Canada

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Pathways to Asia: The Politics of Engagement. **Edited by Richard Robison.** Sydney: Allen & Unwin, 1996. 270pp.

Can a "social democracy" successfully engage with Asia and compete in the world economy? That is the nub of this volume's concerns as it reviews Australian efforts during the past decade or so. Contributors to the volume are concerned about the rise of "economic rationalism" in Australian policy-making, especially since it happened under the watch of the Hawke and Keating Labor governments during the 1980s "in the name of preserving social democracy". They worry that the "neo-liberal ascendancy" will destroy Australia's traditional "social, democratic and egalitarian ideals and traditions, however flawed they may have been in practice". And they seek to offer a better "pathway" for both domestic social policy and international engagement. But their analyses generally fail to engage persuasively with the ramifications for national social organization of the still poorly understood phenomenon of globalization, and the extent to which globalization (rather than engagement with Asia) is driving policy change in Australia and elsewhere. The volume's own preferred "pathway" seemingly favours Asian-type strategic trade and industry policy within a framework of national strategic objectives rather than a conservative or neo-liberal commitment to the market. But this runs up against both the bad record of much of Australia's past industry policy, and the recent reversal of the fortunes of some East Asian "tiger" economies.

Pathways to Asia comprises nine essays, grouped under four headings: politics of engagement; "Asian" models of political and social organization; "Asian" models of economic organization; and strategies for engagement — industry policy and labour policy. With the exception of a Singaporean sociologist, contributors are all academics at Australian universities. Their contributions reflect the argument that "Asian" models should be seen as transitional regimes "characteristic of late industrializing economies" that are "moving rapidly along the various paths trodden in the West, driven by the same set of social and political dynamics even if the outcomes are not all the same". As Asian capitalist societies mature, runs the argument, "industrial mercantilism" will become "redundant", and their policy options will resemble those of the West. The volume also contends that Western conservative and neo-liberal interests not only selectively misread Asian reality to bolster their own positions, but also that the mistaken "lessons" they draw from Asian economic success could tilt the "global balance against liberalism and influence the contest within the West itself". Accordingly, the volume seeks to counter the view that social democracy might be inimical to vigorous and sustained economic growth. As such,

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it is less an inquiry into different strategies for engaging with the region than the advocacy of a particular "pathway" to Asia.

Australia clearly continues to struggle for both policy direction and leadership in its efforts to cope with globalization and engagement with Asia. The struggle began in the early 1970s under Prime Minister Gough Whitlam, who started to dismantle the protectionist industry framework that had served Australian workers well in the post-World War II years. But *Pathways to Asia* is concerned more with the 1980s, during which Australia, as Treasurer Keating in the Hawke government claimed, made "its debut in the world" through floating the Australian dollar in 1983. Declining competitiveness, growing external debt, and reliance on commodity exports that were falling in value largely forced the policy shift towards neo-liberalism. However, greater openness to international market forces aggravated social inequality. One survey quoted in the volume suggested that within a decade the poorest areas of Australian cities had probably lost one-third of their employment and a quarter of their household incomes. While average incomes grew for the rich, they fell for "battlers", creating the electoral conditions that not only led to the defeat of Keating in March 1996 (after the volume had gone to press) but also support for the naive and offensive, inward-looking views of the independent Queensland parliamentarian Pauline Hanson.

With John Howard as Prime Minister, Australian leadership shifted from a social democrat, who more than any previous leader had identified Australia's future with Asia, to a conservative whose commitment to Asian engagement was more ambiguous. Howard not only carried the baggage of outspoken concern in 1995 that multiculturalism and Asian immigration should not promote "diversity (in Australia) ahead of unity". He also showed considerable tardiness in condemning Hanson's isolationism. Keating did not see Australia becoming an "Asian nation", being confident that its values and institutions were strong enough to engage with Asia within prevailing democratic traditions. But he recognized that engagement would not be without Asian values and culture making a significant impact on Australian culture. In contrast, Howard has argued that Australia "does not need to choose between its history (as an outpost of European culture) and its geography", even as his government makes such choices (for example, as the European Union states, and especially Prime Minister Tony Blair's Labour government, link human rights and trade, a Howard government White Paper on foreign and trade policy has specifically rejected any such link).

The labour market largely caused the Keating government to stumble. A high degree of state intervention in areas such as the legal status

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and role of trade unions and the industrial relations apparatus had been, as the volume comments, "the cornerstone of social democracy's political evolution, both in Europe and in Australia". The Australian Labor Party never embraced socialism in the manner of their counterparts in European countries such as Britain, France, or Germany. But it did pioneer a "fair wage" for labour, set through a centralized wage fixation and arbitration system, enshrining, in effect, the right to have the state protect a level of social equality. Accordingly, an Australian Labor government, with its roots in the labour movement, could not pursue the neo-liberal prescription of extensive deregulation, euphemistically called "labour market flexibility", let alone ban trade union activity in a key industry sector such as electronics, as, for example, in Malaysia. Instead, the Hawke government promoted an accord with the union movement to protect workers against falls in real wages resulting from a decline in the value of the deregulated currency by cutting taxes, while seeking to link wage increases to productivity. And although partial deregulation opened the way for the Howard government to complete deregulation, it found its early efforts at reform undercut in the Senate (where it lacked control), leaving employers still reluctant to challenge the most powerful unions. By late 1997, the Howard government was also under pressure from a range of interests, including big business (itself criticized for performing poorly in the global economy), to pursue reform more vigorously in areas such as taxation, industry policy, and industrial relations. Chronic high levels of unemployment and "job insecurity", usually linked by the public to globalization and engagement with Asia, were also contributing to unprecedented volatility in electorates.

In asking whether Asia offered Australian (and other Western) policy-makers lessons for addressing their domestic and international challenges in a global economy, *Pathways to Asia*, on the one hand, debunks claims that Asian economic success could be attributed in any significant degree to superior Asian values and culture, while, on the other hand, seeks to argue that Asian-type strategic trade and industry policies could be a better way forward in engaging with Asia and the global economy. The former seeks to counter both Western conservative and neo-liberal interests that might think the no-nonsense, pragmatic and growth-oriented approach of many Asian governments — their "soft" or "developmental" authoritarianism — the kind of medicine that would benefit their own social policies, as well as business interests that selectively accepted inappropriate rules set by Asian governments when it suited their commercial interests. In the latter, the volume partly reflects the thinking of the so-called "revisionist" perspective that sees Japan and other Asian economies playing by different

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rules than those of the "free market". Hence, international commercial engagement should be crafted within the framework of national strategic objectives rather than in terms of an ideological conservative or neo-liberal commitment to the market.

One of the main problems of *Pathways to Asia* is the extent to which it suffers from the test of time. Notwithstanding their many warts, the "Anglo-Saxon" economies of the United States of America and Britain have demonstrated their ability to adjust and revitalize in a changing world. In contrast, the Japanese economy, the great Asian success story of the 1960s to the 1980s which had hit the wall by the early 1990s, has yet to bounce back. With huge levels of bad debts in its banking system, Japan also remains vulnerable to financial crisis. What is more, the major upheavals of the financial markets of the Asian "tigers" in recent times have highlighted systemic weaknesses in the economic management of most, especially in their banking and financial systems. Their outlook is for slower growth for a while, and even recession in at least one case. The notion that they had superior economic management "know-how" underpinning their "miracle" performances cannot be sustained. The central questions now are how quickly and well Asian economies can cope with the crises they face.

That does not diminish but heightens the continuing importance of many of the issues *Pathways to Asia* canvasses. However, rather than move towards various kinds of "economic nationalism", international market turmoil should encourage policy-makers both in the West and East Asia to renew their efforts to co-operate in developing and consolidating the mechanisms and institutions needed to ensure continued reforms aimed at liberalizing and improving the international trade and investment environment. Today's world, as volatility in financial markets highlights, is inexorably interlinked. More than at any time in history, new technologies and the globalization of markets are driving the kinds of changes that should be persuading states that their "national interest" lies in behaving less as autonomous entities than as complex evolutionary systems, adapting to environments that grow more elaborate. Modernizing states cannot avoid becoming increasingly ensnared in information and communication webs, with feedback loops and self-regulating controls that constrain autonomous behaviour. Survival and prosperity can best be achieved by consensus-building and finding ways of co-evolving with competitors. Growing complexity impels greater co-operation.

The future of *prosperous* democratic, egalitarian societies is not likely to depend on the adoption of some variation of Asian-type strategic trade and industry models, which themselves are in need of reform. Rather, the need is more to develop a better understanding of

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the implications of globalization for national social organization. Modernization in today's world, driven by technologies that only began to make their impact during the past several decades, cannot be readily equated with the modernization process prior to World War II. Britain's Blair Labour government is, perhaps more consciously than most governments, trying to address the contemporary challenge of modernization. It is reportedly influenced by analyses such as Anthony Giddens' *Beyond Left and Right*, which recognizes ways that globalization transforms local, and even personal, contexts of social experience. Giddens' insights into globalization should also help enhance the thinking of many Western social scientists on the role of culture in the modernization process. Globalization leads to an insistence on cultural diversity, promoting the revival of local nationalism and an accentuation of local identities, which stand in opposition to globalizing influences. Yet, *Pathways to Asia* seems to find difficulty accepting the role of Asian values and cultures as socially integrating forces.

The policies and politics of the next several years will prove critical to the strength of future growth in the Asia-Pacific region. And the problems confronting most states stem largely from the need for internal reform, even though, for domestic political reasons, governments may seek to find external "scapegoats". In Australia, the government responded late in 1997 to pressures from the business community for an industry policy by setting a 4 per cent economic growth target and providing new funding, in particular for boosting innovation and exports. The government package fell short of the recommendations of two government-sponsored reports into industry policy and the information industries, and received mixed reviews from industry commentators. Many believe that the legacy of Australia's chequered history with industry policy should encourage the government to eschew "handouts" to business, or try to "pick winners", and limit its role to facilitating new forms of investment, especially in relation to infrastructure. Otherwise, the government risks diverting its energies from more urgent reform tasks, such as tax reform, education and retraining, research systems and domestic competition.

PETER POLOMKA
Asia Pacific Strategy Pty Ltd
Canberra

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Divided Kashmir: Old Problems, New Opportunities for India, Pakistan, and the Kashmiri People. **By Mushtaqur Rahman.** Boulder, CO: Lynne Rienner, 1996. 219pp.

The state of Jammu and Kashmir is presently occupied by three countries: Pakistan (35 per cent), India (45 per cent) and China (20 per cent). Ever since the accession of Kashmir to India in October 1947, India and Pakistan have fought two wars over the territory. Along the line of control in the state, a tenuous ceasefire exists between the forces of the two countries. There are occasional outbreaks of fighting involving troops from both countries. The latest was in August 1997. Described as one of the most serious outbursts of fighting along the ceasefire line in Kashmir in recent years, fifty Pakistani and three Indian soldiers were reported to have been killed. This most recent incident of fighting between the two traditional enemies of the sub-continent occurred despite an announcement in June of the formation of a joint India-Pakistan working group on Kashmir. Ostensibly, this working group is to help find a lasting solution to this long-standing dispute between the two countries. In the aftermath of this bout of fighting, officials from both countries tried to play down its seriousness and reassured world opinion that it would not affect future activities of the working group on Kashmir. However, the latest fighting has also demonstrated that anything can happen to complicate or even derail the process of reconciliation between the two countries on Kashmir. The unpredictable nature of the peace talks on Kashmir is, to a large extent, explainable by the very nature of the Kashmir dispute. The book under review, though written from a Pakistani point of view, is a very rich contribution to a deep understanding of the complex nature of the Kashmir dispute.

In Chapters 1–7, the author traces the history, geography, and demography of the state of Jammu and Kashmir, the origins of the conflict, and also, the circumstances leading to accession of the state to India in October 1947. The author identifies three personalities for sharing historic responsibility for the Kashmir dispute. They are: Mr Jawaharlal Nehru, the Prime Minister of India from 1947 to 1964; Maharaja Hari Singh, the ruler of the state of Jammu and Kashmir in 1947; and Lord Louis Mountbatten, the last British viceroy of India. There is nothing new in this line of argument. Authors, sympathetic to Pakistan's position on Kashmir, have often asserted that these three were very much anti-Pakistan personalities and they therefore made sure that the state of Jammu and Kashmir hastily acceded to India.

The author's analysis of circumstances leading to the signing of the instrument of accession merits special mention for two reasons. First, it raises the legality of the signing of the Maharaja's instrument of acces-

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sion. Analysis done by the author successfully raises the point that the Indian troops were already in Kashmir before 26 October and the instrument of accession was signed by the Maharaja on 29 October 1947 (not on 26 October as commonly known). In other words, the instrument of accession was post-dated so that the presence of the Indian soldiers could be made legal. Secondly, the analysis makes it very clear that the nascent Pakistani government knew about the involvement of tribesmen and Pakistan Army deserters in the fight against Dogra rule in Kashmir.

In a brief but well-analysed section (Chapter 8), the author describes the United Nations' involvement in finding a solution to the Kashmir dispute. The author succeeds in highlighting the inability of the United Nations to solve an inter-state problem within a Cold War international milieu. Different U.N. mediation blueprints — General A.G.L. McNaughton's plans, Sir Owen Dixon's proposals, and those of Frank Graham — came to nought as both India and Pakistan refused to accept them. Each saw the plans as favouring the other. Nehru's vacillating position on the issue of the United Nations' demand for holding a plebiscite in the state of Jammu and Kashmir, the failure of the United States to commit itself to a U.N. solution, and the Soviet support for India's position on Kashmir, sealed the fate of the U.N. mediation efforts in Kashmir.

Chapters 9 and 10 analyse respectively the impact of the Indo-Pakistan wars of 1965 and 1971 over Kashmir. The author deserves kudos for shedding new light on the widely-rumoured involvement of the Pakistani military in stirring up trouble inside the state of Jammu and Kashmir that many believe had led to the outbreak of the war in 1965. In Chapter 9, the author acknowledges that in 1964, without the knowledge of the Pakistan Air Force and the Ministry of Information and Broadcasting, the Pakistan Army and the Ministry of Foreign Affairs jointly prepared a paper on this issue. The author hints at then Pakistan Foreign Minister Zulfikar Ali Bhutto's hand behind the paper, which was to be the basis of "Operation Gibraltar". Under the first phase of this plan, volunteers were recruited from Pakistani-controlled Kashmir to be sent to the state of Jammu and Kashmir to fight Indian forces. In the winter of 1964-65, groups of these "volunteers", known as the *Mujahiddens* ("freedom fighters"), began crossing into the state of Jammu and Kashmir. In July, the "volunteers" numbered about 1,000.

By the middle of July 1965, there was considerable tension in Jammu and Kashmir as a result of the disappearance of the Prophet's hair from the Hazratbal Shrine. Thus, a unique situation presented itself for these "volunteers" to create trouble for the Indian forces. The second phase of "Operation Gibraltar" was then set in motion. A

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campaign to blow up bridges, and to attack police stations was carried out. In August 1965, the Voice of Kashmir went on the air to "announce the formation of a Kashmir revolutionary council to liberate Kashmir from Indian oppression" (p. 110). Tension along the ceasefire line rose in tandem with the activities of these "guerrillas". Very soon, forces of both countries were shelling each other and once the Pakistani forces, supported by Pakistan-controlled Kashmiri forces, crossed the ceasefire line on 1 September, war became inevitable. Indian forces counter-attacked on 6 September. The two sides fought until 23 September when a U.N.-arranged ceasefire came into force. This war, like the one in 1947, also resulted in a stalemate. Under the terms of the nine-point Tashkent Declaration of 10 January 1966, both parties agreed to withdraw their troops to positions held by them on 5 August 1965, and reaffirmed their obligations not to have recourse to force, and to settle the dispute through peaceful means.

In Chapter 10, the author analyses the impact of the 1971 Indo-Pakistan war (also known as the Bangladesh war) over the Kashmir dispute. It is a historical fact that the following two factors contributed much to the Indian military involvement (extending help to the *Mukti Bahini* guerrillas, and the Indian military's action in December) in former East Pakistan: the policy of genocide perpetrated by the Pakistani military on the civilian Bengalis in Pakistan's former eastern province and the influx of millions of Bengali refugees into India to avoid this massacre. The author does not mention these factors at all. Rather, he blames Sheikh Mujibur Rahman and India for the breakup of Pakistan in 1971. Nothing can be further from the truth. Pakistan broke up in 1971 neither because of the ill designs of any external power nor because of a collusion between Sheikh Mujibur Rahman and India. Bangladesh emerged in 1971 because of the failure of Pakistan's ruling élite to solve the domestic political crisis.

The Simia agreement, signed in the aftermath of the war on 3 July 1972, contributed to a growing dispute between India and Pakistan on whether the two countries should solve the issue bilaterally or refer it to the United Nations. Pakistan maintained that the Simia agreement did not preclude reference of the Kashmir dispute to the United Nations, or any other international body. On the other hand, India's position was that the Simia agreement provided only a bilateral solution to the Kashmir dispute. Whatever the merits of the respective positions on this question, the formation of a joint working group on the Kashmir dispute gives credence to the argument that both countries now subscribe to the idea of finding a bilateral solution to this vexatious issue.

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In Chapter 11, the author has done a good job in tracing the developments in Jammu and Kashmir from the Simia accord to 1990. This is the period of rising political and ethnic tension in the state. The outbreak of a strong movement of armed resistance against the Indian troops in Jammu and Kashmir is also chronicled here. Like many other political commentators, the author has recorded many violations of human rights by Indian law enforcement agencies in Jammu and Kashmir.

There is no doubt that the continuing problem of Kashmir has bled the population of the state. Undoubtedly, it has also retarded India and Pakistan economically, a fact now openly acknowledged by the leaders of both countries. Clearly, a bold new initiative has to be taken to solve this problem. In Chapters 12 and 13 the author reviews a number of possible solutions and at the end offers his own idea about resolving the Kashmir conflict. His answer is to work out a solution based on the model of the Indus Waters Treaty signed on 19 September 1960. He argues that the Kashmir dispute should be defined in terms of the sharing of the waters of six river basins. Once this is done, then the principle of division should be applied — giving three river basins to Pakistan and the other three to India. If this principle is applied then the Kashmir valley and some eastern areas would go to Pakistan. India would receive parts of Jammu and Ladakh. However, some adjustments would have to be made in the Chenab basin. The author recognizes that just like their support of the Indus Waters Treaty, any such agreement on Kashmir would have to be guaranteed by the United Nations, the United States and other Western countries.

The author's suggestion for a solution to the Kashmir dispute is unworkable for two reasons. First, all parties involved in the dispute see it as one over territory. It is highly unlikely that such a position will change in future. Secondly, getting political and economic support of the United Nations, the United States and other Western countries for such a scheme is not likely to succeed because of the cost involved. Nowadays, gigantic projects like the Indus Waters are not particularly popular among aid donors.

The overall format and graphics of this book is very good. However, it should be pointed out that the third paragraph on page 18 is wrongly inserted. It more appropriately belongs to the next section on the same page.

ISHTIAQ HOSSIAN
National University of Singapore

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***Southeast Asian Security in the New Millennium.* Edited by Richard J. Ellings and Sheldon W. Simon.** Armonk, New York: M.E. Sharpe, 1996. 234pp.

Little in this volume, despite the implication in the title, is substantially "new". This is partly due to the origins of the volume lying in an NBR (National Bureau of Asian Research) study in which "many" of the authors were involved in 1991–92 as a contribution to the development of the United States' East Asian Strategic Initiative. Indeed, significant sections of many of the contributions have a rather "dated" feel: they tend to discuss elements of the transition to the post-Cold War era, rather than seek to project forward (difficult though this might be).

More fundamentally, it is also due to the increasingly evident limitations of this form of study. Regional security specialists are now more or less aware of the overall nature and main characteristics of the post-Cold War regional security environment (unnamed though it still is), and of the main influences which have the potential to promote stability or generate conflict. The scope for future work in the field of regional security seems to lie either in detailed case studies of defence developments in individual states (and groups of states), or in analysis of the ongoing practical steps to promote regional stability in the ASEAN Regional Forum (ARF) and its associated "Track-2" process. There is no need for more of these general, collective, overviews of security issues.

The aim of *Southeast Asian Security in the New Millennium* is to analyse "Southeast Asian" security at a number of levels: "domestic politics and economics; traditional state-to-state relations and balance-of-power considerations; the new multilateralism; and transnational forces" (p. 6). Following the introduction, there is a chapter on "Asian multilateralism" and then a series of country studies, including Indonesia, Malaysia, and Singapore; China; Japan; Thailand and the Philippines; and Vietnam.

There is, perhaps surprisingly, no specific chapter on American security policy, only a brief postscript consisting of the interview responses of security specialists in Asia to questions about the three central elements of U.S. foreign and security policy in Asia: security, prosperity, and democracy (the three "good things", as Donald Emmerson, one of the contributors, refers to them).

This does not mean that the role of the United States, and its policy approaches, is entirely absent, however, as it is frequently interwoven into the other chapters. It is interwoven not only as a relevant factor in the particular analysis, but also in the discussion of the implications of various developments for U.S. policy, and recommendations on what

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policy approach the United States should adopt with regard to certain countries (notably Vietnam).

Indeed, this would partially fit in with the NBR (under whose auspices the volume has been compiled) and its aim of providing information to facilitate policy-making; there is an underlying feel to the volume that it is meant to be read by people in the U.S. policy-making arena, no doubt as part of the ongoing debate about whether or not the United States should remain "engaged" in Asia. Taken as a whole, the volume could be seen in terms of its promotion of the need for U.S. "engagement".

In his chapter on "The Parallel Tracks of Asian Multilateralism", Sheldon Simon seeks to address the growth of "economic" and "political-security" multilateralism, mainly through a limited consideration of the development of those organizations and fora which are its manifestations (for example, the Asia-Pacific Economic Co-operation or APEC and the ASEAN Regional Forum, or ARF). He contends that the growth in multilateralism has been encouraged by U.S. "decline": in terms of its importance as a market (and its attendant leverage) and, significantly, in terms of its relevance to regional security. He argues that a U.S. presence alone "is no longer a sufficient guarantee of security" (p. 21) nor is the traditional pattern of bilateral security relations which America has pursued applicable for many regional security problems, notably territorial disputes. In the concluding comments to the chapter, however, he points out that because multilateralism (on both tracks) is still in its "infancy ... US involvement as a trade and investment partner as well as a security backer continues to be essential" (p. 31). The security role continues to be crucial in Northeast, but not Southeast Asia. The clear implication here is that the emerging pattern of multilateralism, in the security field especially, is not yet sufficiently developed to replace the traditional, Cold War, framework.

The theme of regional security is continued in Emmerson's lengthy chapter on Indonesia, Malaysia, and Singapore. The thrust of his argument is that by the mid-1990s these three states "have begun to resemble, although they do not solidly constitute, a regional security core" (p. 36). Such a "regional security core", he contends, is made up of "one or more adjacent states that display centrality, stability, and activity, on security matters relative to other states belonging to the same regime" (p. 40), in this case ASEAN.

The idea of these three states constituting the "core" of ASEAN is, of course, a long-standing one and it is hard to see why this status should still be described as "emerging" in the 1990s. This is particularly so when part of his analysis assessing their core status focuses on developments which occurred in the 1970s and 1980s. The "core"

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status of these three states since the Association's formation almost thirty years ago (and ASEAN has had everything to do with regional security in those thirty years) would suggest that the status is fairly solid and may not be as "fragile", or "flexible" as Emmerson implies when he considers the implications of ASEAN expansion to include Cambodia, Laos, and Myanmar for Indonesia, Malaysia, and Singapore's "geographic" and "political" centrality.

The idea of a "mainland–maritime" division within ASEAN, which is contained in his postulation that ASEAN could have more than one security "core", would seem to ignore the fact that increasingly ASEAN security thinking (affecting all members almost equally) may be beginning to crystallize around a single overriding issue: the centrality of China to the regional security equation.

It is the theme of China's challenge to regional stability which is the subject of Eikenberry's well-written chapter, as he addresses the question of whether or not China poses "a threat to the peace of the Asia-Pacific region through the first decade of the next century?" (p. 90). Indeed, Eikenberry's chapter is one of the few in this volume which actually attempts to project forward into the "new millennium". Basing his analysis on sound theoretical underpinnings, he analyses the nature of the "threat" China poses through a sober examination of "capabilities" (both "absolute capabilities" and "relative power", p. 91) and "intentions" (China's military doctrine and its attitude towards the status quo).

With regard to China's "absolute capabilities", he discusses China's force structure and contends that its power projection capability is still limited and that any improvements will be protracted. This view is given greater weight by his assessment of China's military doctrine, which concludes that "in the main, the doctrinal literature and training regimens of the People's Liberation Army's (PLA's) conventional forces simply do not seem to support assertions that China is intent on fundamentally contesting the regional security order in the near term" (p. 106). Taken together, they certainly fit in with, and contribute to, his assessment of China's overall attitude towards the status quo.

China, he contends, has been following a policy of seeking to integrate itself more closely into the international economic order whilst, in tandem, it has shown some support for a putative "international society", making it less willing to "unilaterally project its military power" (p. 109). The obvious exception to this, which he duly notes, will be the issue of Taiwan, although his chapter was obviously written before the 1996 Taiwan Strait crisis. Overall then, he concludes that "neither in terms of capabilities nor of probable intentions can the PRC

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be regarded as a serious threat in the mid-term to Asia-Pacific stability" (p. 110).

China, of course, is not the only major Asian power which must be factored into the regional security equation. Japan, too, is important, and its "emerging strategy" in the region is the subject of Pyle's chapter. Much of this strategy has now "emerged", and this chapter is still firmly rooted in the period around the end of the Cold War. It was evidently written before the accord in 1996 between U.S. President Clinton and Japanese Prime Minister Hashimoto, which has seen the United States and Japan embark on a review of the guidelines governing their security co-operation. This review could ultimately see Japan playing a greater role in support of U.S. security policy throughout the Asia-Pacific region. Given the possibilities for potential conflict over Taiwan and the Spratly Islands, one of Pyle's concluding comments — "The Japan-US alliance remains of the greatest consequence to Japan's future. Asia alone is no substitute" (p. 146) — could be given a rather different meaning.

If Pyle's chapter on Japan suffers somewhat from being dated, then Neher's on Thailand and the Philippines suffers even more, a problem made worse by some seemingly poor editing after revision. In discussing the prospects for political stability in the Philippines, for example, he states that "in the short-run, Ramos will undoubtedly complete his six-year term as President" (p. 164), whilst a few pages later, he notes improvements made by Ramos and refers to the May 1995 elections. By this time Ramos was already halfway through his presidency and clearly past the immediate short-run following his election in 1992. Furthermore, in discussing the importance of the Spratly Islands for Philippine security, there is no mention of the Mischief Reef episode of early 1995. Significantly, all the footnotes refer to sources dated 1991 and 1992.

The final chapter, by Turley, raises a number of contemporary issues which will be pertinent to Vietnam's security in the future. In particular, he notes the need to establish patterns of "stability and accountability" in the political system at a time when the Vietnamese Communist Party faces "reform dilemmas" that arise from the move towards a market economy and a greater degree of political openness. These dilemmas are "how to liberalize the economy without restoring capitalism and how to separate the party and state society without inviting instability" (p. 194), and they are manifested in a number of issues: corruption, inequalities, and the North–South divide. The lack of any "alternative framework" for change, he concludes, means that the present regime is likely to survive in the short-to-medium term as long as "it delivers steady economic growth, an equitable distribution

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of social welfare, and suitable professional opportunities for the intelligentsia" (p. 204). The challenge for the United States, he contends, is to let Vietnam's internal "modernization" work — moving it in the direction of the "Asian model of 'soft authoritarianism' and state economic intervention" (p. 213) — rather than seeking to impose "conditions" upon it for any increased "development of bilateral relations" (p. 214).

Overall, this volume adds little to the debate, especially for those already familiar with regional security issues. Its utility would lie in providing the non-specialist with a background of some issues pertinent to the post-Cold War period, although the odd basic error (for example, the Introduction attributes Southeast Asia as having initiated APEC) is a drawback in this respect. Its point of reference, "Southeast Asia" may also be a drawback. There is an argument that Southeast Asia can no longer be seen as a distinct regional security system, or complex, and that it has to be considered as part of a wider East Asian whole — an argument which is, in fact, implicit in the book as it frequently makes reference to the wider Asian region and not just Southeast Asia.

MARK G. ROLLS
University of Waikato
New Zealand

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